

JPRS-CAR-88-047  
19 AUGUST 1988



**FOREIGN  
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# ***JPRS Report***

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## **China**

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# China

JPRS-CAR-88-047

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19 August 1988

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## REGIONAL

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## GENERAL

### Party Official Discusses Country's Gulf Policy, Arms Sales

44040296 Kuwait AL-QABAS in Arabic 28 Jun 88 p 17

[Interview With Deputy Director General of the Chinese Communist Party's International Contacts Department (Chang Zongyu), by Naqab Baras: date and place not specified]

[Text] By selling Silkworm missiles to Iran last year, the PRC entered into the Gulf war and began affecting and influencing its outcome. Herein lies the importance of this interview with (Chang Zongyu), deputy director general of the Communist Party of China [CPC] International Contacts Department, who initially refused to grant this interview due to the sensitive way in which Chinese political tendencies were intersecting with Gulf War trends. However, once he began, he concentrated on making his answers precise and calculated. Here is the text of the interview.

[Question] Now that Iraq has been able to liberate Faw and Shalamjah from Iranian occupation, how do you view the war?

[Answer] As you know, China has taken a resolute, stern stand towards this war. We have advised both sides to reach a settlement, and we have also backed implementation of Security Council Resolution 598.

This war has now entered its eighth year, and both sides have suffered huge losses in both lives and property. We have always said that its continuation is not in the interest of the Iranian or the Iraqi peoples.

China is a permanent member of the Security Council, and as such we have made great efforts to stop this war.

[Question] How would you explain the international community's inability to force Iran to implement Security Council Resolution 598, whereas Iraq agreed to it even before it was issued?

[Answer] To be brief, the reason lies in the attitude of the superpowers, who want to achieve their own special interests. This is the main reason.

There is another reason. The problem is complicated and requires a great deal of time, patience and international efforts. Furthermore, the world's people must take part in these efforts.

As I said, the superpowers are the main reason, and they are the ones who are responsible.

[Question] China has been accused of deviating from its principles, such as providing support for Third World liberation movements, ever since the death of Mao Tse Tung.

[Answer] Actually, this is an erroneous, unfounded notion. China has always followed an independent, peaceful foreign policy based on three points: opposing the hegemony imposed by some superpowers here and there, maintaining and preserving world peace, and standing alongside the world's peoples and supporting their just aspirations.

As you may already know, China's stand on the Arab cause in Palestine is very clear!

[Question] Chinese-Zionist relations are evidently developing day by day, with Zionist delegations visiting Peking under the cover of agriculture and trade relations. What do you have to say?

[Answer] These are strange rumors! On several occasions we have declared that as long as the Israeli authorities cling to their expansionist, anti-Arab and anti-Palestinian policies, there is no way that relations with them can be developed.

We have declared this stand more than once, but, as you know, China is a permanent member of the Security Council and must pursue the council's role.

Just recently our foreign minister met with Israel's foreign minister, at the latter's request. On our side, we restated our established stand that the Palestinian people's rights to recover the occupied territories, regain their usurped rights, and establish their own independent country must be achieved. Our foreign minister also expressed his opposition to the expansionist policy which Israel is following.

We are a member of the United Nations. We play our part in it and attend the international conferences. This is what makes it possible for some Jews with American and European passports to visit our country!

[Question] What do you have to say about the Silkworm missiles which Iran has used against Iraqi and Kuwaiti children?

[Answer] How unfortunate that the press should have reported that. We in China respect everyone's feelings. We have not supplied Iran with weapons ever since the war broke out. So much is known. You know that the rockets flying over the Gulf could have been made by any country. We have not offered weapons to Iran ever since Resolution 598 was issued.

We have taken strict measures to prevent our missiles from entering the black market, but as you know, the situation in the black market is complicated!

I believe that the West, particularly the United States, is stirring up this issue for its own private reasons, especially since the "Iran gate" scandal.



[Question] To what extent do the Chinese support the Palestinians?

[Answer] There is no need to answer this question. Ever since the emergence of Fatah, we have declared our support for the struggles of the Palestinian people. Isn't that so?

[Question] The Palestinian people in the occupied territories are engaged in popular warfare. How do you view this revolt from the standpoint of your understanding of the Palestinian people's rights?

[Answer] All of us, officials and people, have voiced our extreme disapproval of Israel's repressive, brutal acts against the Palestinians in the occupied territories. State Council Premier Zhao Ziyang, who is now secretary general of the party's Central Committee, wrote a letter to 'Arafat in which he said that China supports the struggles of the Palestinian people and stands alongside the uprising. In this letter he also strongly denounced the Israeli stand.

[Question] Could you comment on what the Zionist authorities are doing these days to quell the uprising?

[Answer] As I said, we in China, government and people, denounce these indescribably bestial measures as truly brutal repression.

The words are not important, but the situation is painful.

[Question] What do you think of Kuwaiti policy, as expressed by the Kuwaiti leaders' stands on the dramatic developments in the region?

[Answer] Kuwait is friendly to China, and we highly regard this friendship. Ever since relations were established between us and Kuwait, there has been a great mutual understanding, and these relations, which have had an effect on all areas, have grown rapidly.

[Question] What is the purpose of your present visit to the region?

[Answer] The CPC delegation's visit, first to Iraq and then to Syria, is a friendly visit through which the CPC wants to confirm that China adheres to the following four principles in establishing relations with friendly parties: complete stability, equality among all, mutual respect, and non-interference in the affairs of others.

Ever since the late Seventies, we have emphasized these four points in our dealings with all political parties. We are concerned with developing friendly relations with political parties in Third World countries, because we feel that this will help deepen mutual understanding among all the peoples of the world, as well as serving the cause of progress and peace.

[Question] China is said to be following in the footsteps of the Soviets all over the world, without regard for the consequences.

[Answer] That is not true. We follow an independent foreign policy, and therefore we oppose hegemony, whatever its source.

We are equally opposed to hegemony, whether it is practiced by Moscow or Washington.

We in China are against the United States' policies in the Middle East, Latin America, and Africa. We are opposed to United States policy in general.

[Question] What about relations between Moscow and Peking?

[Answer] In the late Sixties, cultural and economic relations between us and the Soviet Union improved, and we exchanged visits. However, no progress has been achieved, because the following three points have not been achieved:

1. Moscow must withdraw its forces from the Sino-Soviet border areas;
2. Moscow must urge Vietnam to withdraw from Cambodia; and
3. Moscow must conclusively withdraw from Afghanistan.

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#### **Current International Situation Analyzed**

40050300 Beijing XIANDAI GUOJI GUANXI

[CONTEMPORARY INTERNATIONAL RELATIONS]  
in Chinese No 1, 8 Mar 88 pp 3-7

[Article: "Several Special Characteristics of the Current International Situation"]

[Text] Editor's note: On 12 December 1987, the research workers of our editorial department held a symposium on the current international situation. In light of the U.S.-Soviet summit meeting and the signing of the INF Treaty, the meeting reviewed the international situation of 1987 and studied the trend of its future development. The views expressed at the meeting are comprehensively presented as follows.

1. The international situation of 1987 changed from tension to relaxation. This relaxation has its new characteristics with fairly concrete contents. It may possibly last a fairly long time.

A. The United States and the Soviet Union are heading for actual disarmament. The heads of both the U.S. and the Soviet governments signed the INF Treaty in Washington on 8 December for the complete dismantling of

two categories of land-based guided missiles, namely, the medium- and shorter-range missiles of 500-1,000 km, and the medium-range missiles of 1,000-5,000 km. The signing of this treaty may lead to further talks on the reduction of strategic and even conventional weapons. Qualitatively, the U.S.-Soviet arms race, including the race in space, will continue to develop, but at reduced speed.

B. The conflicts in the "hot spots" and major regions have not been settled, but will become cooler. Soviet and Vietnamese troops are still in Afghanistan and Cambodia, but both the Soviet Union and Vietnam are trying to get out of their present predicaments and are looking for some advantageous political settlement. In the Korean Peninsula, a military confrontation still exists between the south and the north. However, the parties concerned are trying to avoid any outbreak of war and are engaging in their political and diplomatic struggles. There are still sharp contradictions in the Middle East. The Middle East peace conference cannot be convened for some time, while the war between Iran and Iraq is continuing to rage. However, the pressure from world opinion for a ceasefire is increasing. The peace plan signed by five Central American countries has helped bring the Nicaraguan government and the Nicaraguan contra to the conference table. In Southern Africa, the heads of the U.S. and the Soviet governments have held dialogues on the question of troop withdrawal by Cuba and South Africa from Angola.

C. The international pattern is continuing to develop in the direction of multipolarization, and there is a tendency toward democratization in international politics. The voice and influence of medium and small countries have become stronger. The age of manipulation by the United States and the Soviet Union has basically ended.

D. Many countries in different regions and under different systems are now turning their attention to their own economic and technological developments, and the upsurge of economic structural reform and economic policy readjustments are gathering momentum in depth and in breadth. These countries want to preserve a stable and peaceful international environment which will be useful to their economic and technological developments. This is now the trend of the times and the desire of the people. (Zhou Jirong [0719 4764 2837], Wang Tingwei [3769 1656 3555], and Gu Guanfu [7357 7070 4395])

II. U.S.-Soviet relations in 1987 were characterized by the continuance of their controversy and confrontation. However, some breakthrough was made in their dialogues, and their relations became fairly relaxed and improved as shown in the following:

A. In arms control talks, they have signed a treaty for the complete dismantling of intermediate- and shorter-range intermediate missiles. This treaty opened the way for

further arms reduction talks. They also made progress in the talks on a 50 percent cut of strategic weapons and the ban on nuclear tests and chemical weapons.

B. Although controversy is still continuing on regional problems, the acrimony involved has been much reduced, because none of them opposed the search for some way of political solution. The United States has greatly increased its military presence in the Persian Gulf of Middle East, but the Soviet Union has not adopted any stiff countermeasure. Both countries were in agreement with Document 598 adopted by the United Nations for the peaceful settlement of the Iran-Iraq War and the gulf conflicts. They took opposing stands on the Afghanistan and Cambodia questions, but also look for some plan of political solution. Both sides wanted to avoid any new incident in Korean Peninsula and to improve their relations with the north and the south respectively.

C. Although refusing to accept Reagan's demands on the "human rights" question, Gorbachev has taken many new, flexible measures, such as the "liberation" of Sakharov, the "father of the hydrogen bomb," the release of nearly 100 "persons holding dissenting political views," and the relaxation of restrictions on emigration. According to official data, nearly 20,000 persons were permitted to emigrate in the first 10 months of 1987. This number more than trebled that of the whole previous year.

In the past year, the relaxation and improvement of U.S.-Soviet relations are attributed mainly to the following factors: 1) From the standpoint of U.S.-Soviet Union strategic considerations, we can see that the United States is now facing a fierce challenge from Japan and Western Europe in the economic, scientific and technological fields, and the danger of losing its position as the leader of Western countries. The Soviet Union likewise is confronted with the danger of being reduced to a second rate world power if it does not end its economic and technical backwardness. That is why both the United States and the Soviet Union have to concentrate their resources on developing science, technology, and economy in order to increase their overall national strength, and must avoid over-straining their relations which may lead to self-attribution. 2) Both Reagan and Gorbachev are anxious to create favorable conditions through certain diplomatic achievements for the solution of their domestic problems. Reagan's prestige suffered after the "Irangate Incident," while the nosedive of the stock market, the huge financial deficit, the adverse trade balance, and the huge national debts are all knotty problems to be tackled. Therefore, Reagan is anxious to reach some agreement with Gorbachev in arms control in order to increase his prestige, to eliminate some of the adverse effects of the "Irangate Incident," and to reduce U.S. military spending and financial deficit. (After the INF agreement, he announced a \$33 billion military budget cut for the 1989 fiscal year.) Thus he will not only win the title of a "president of peace," but also pave the way for the Republican Party in the 1988 presidential

election. The Soviet Union is now in the crucial period of an all-out reform beset with serious difficulties and obstacles. He is also anxious to achieve some tangible success in reaching more agreements and improving its relations with the United States in order to prove the correctness of his domestic and foreign policies.

The United States and the Soviet Union will continue their controversy in 1988, but the relations between them may be more relaxed:

A. They may come to an agreement on a 50 percent cut in strategic weapons. They both want to concentrate their energy on manufacturing space weapons and to eliminate the already excessive offensive strategic weapons. According to the conclusion of Francois Haisbourg, director of the London-based International Institute for Strategic Studies, both the United States and the Soviet Union have completed their research in the minimum nuclear deterrent strength, and seem to be able to reduce their nuclear weapons by 80 percent, because the possession of 1,200-1,500 nuclear warheads will have the deterring effect of "ensuring mutual destruction." Both sides are now more easy with some crucial issues on which they formerly disagreed. The Soviet Union held that the ABM Treaty (the "Antiballistic Missile Treaty" signed in 1972) needed not be too strictly interpreted, meaning that the development of certain SDI research could be allowed. The United States held that with the exception of the large land-based missiles which should be limited as stipulated by categories, the proportions of other categories can be determined by the Soviet Union itself within the range of the general limitation.

B. We cannot dismiss the possibility that the United States and the Soviet Union may also reach some agreement on regional conflict issues. On the Afghanistan question, for example, the Soviet Union has decided to get rid of a burden; the withdrawal of its troops from Afghanistan is only a matter of time. (Li Zhongcheng [2621 1813 6134] and Wang Baoqin [3769 0202 0530])

III. In view of the adjustment of domestic policies in the Soviet Union, the changes in the U.S. global strategy, and the progress of the U.S.-Soviet disarmament talks, Western Europe is now reassessing the situation and adopting new policies. Some changes have occurred or are brewing regarding its relations with the Soviet Union, the United States, and Eastern Europe, and the relations among West European countries.

A. Western Europe is now exploring some way to establish more secure and stable relations with the Soviet Union. It seems to feel the presence of a "historical opportunity" for a more secure and stable Europe because of the reform, the "new ideas," and the series of peace and disarmament proposals initiated by the Soviet Union. However, it also has the worry that the purpose of nuclear disarmament proposed by the Soviet Union is to "denuclearize Europe," to estrange it from the United

States, and to create certain "risks." Therefore while "welcoming" Gorbachev's reform, Western Europe is also testing Soviet "sincerity" in policy adjustment by applying pressure in the following ways: 1) In the arms control talks following the INF agreement, it stressed the need to prevent and to minimize the Soviet capability for launching any surprise attack with conventional weapons, and finally the need to eliminate Soviet superiority in conventional weapons. 2) It continued to apply pressure on the question of human rights so that the Soviet reform will develop in a direction favorable to the West. 3) It urged the withdrawal of Soviet troops from Afghanistan before the end of 1988. In its relations with the Soviet Union, Western Europe is now adopting a go-slow policy while exploring and observing the situation. There cannot be any significant development in Western Europe's relations with the Soviets without a breakthrough in the talks on the reduction of conventional forces. Western Europe still has to be alert and vigilant above all.

B. Because of the growing conflict of interests in security matters between the United States and Western Europe, the latter is now adopting measures to improve its own position in its Western alliance. Last year, Western Europe's calls for reinforcing the "European pillar," for transforming the Atlantic Alliance according to the "two pillars" vision, and for readjusting U.S.-European relations were more vehement than ever. It is now taking the following measures: 1) It is actively reinforcing the "European pillar" in order to have more say in NATO. Its immediate goal is a coordination of policies so that all West European countries will take a common stand in their dialogue with the United States on any issue affecting European security, while its long-range goal is to build a sufficiently strong nuclear deterring force within the NATO for backing up Europe's conventional defense force and as a foundation for relations between Western Europe and the United States as equal partners. 2) It strongly demanded that in all matters affecting the security and other interests of Europe, the United States must fulfill its obligation of consulting its European allies closely; otherwise, the West European allies would not undertake their share of responsibility. 3) Western Europe laid down its own general disarmament program so that generally, it could grasp the relationships between various weapons during the talks and decide on the priorities in accordance with the principle that "disarmament should be advantageous to European security instead of jeopardizing it." The West European countries have already made it clear that the next priority will be the reduction of conventional weapons, although, at the same time, they welcome the reduction of strategic nuclear weapons by both the United States and the Soviet Union.

C. There is now a stronger tendency toward a rapprochement between Eastern and Western Europe. The East European countries have now more maneuvering room following the adjustment of Soviet policies. Furthermore, for their own reform and construction, they



urgently need an East-West detente which would enable them to develop economic and trade relations with Western Europe. Western Europe, on the other hand, also wanted to take advantage of the Soviet reform and to use Eastern Europe as a buffer zone. Prompted by these mutual needs, this rapprochement has gathered momentum since the beginning of this year. Honecker's visit to FRG, which had been time and again postponed, finally materialized. The talks about the establishment of formal relations between the CEMA and the EEC has been resumed and are making real progress. The only obstacle that remains is the West Berlin clause, but it is anticipated that some way of compromise will be found.

D. West European unity continued to develop. At present, the complex and frequently changing international situation is posing a serious challenge to Western Europe in many respects. To accept this challenge, Western Europe is now promoting its economic and technical cooperation, and strengthening its political and defensive work. 1) To coordinate its internal policies, Western Europe has opened many channels for bilateral or multilateral consultations. The West European countries unanimously agreed on using West European Union as a forum on Europe's security-defense policy. 2) At the conference of the foreign ministers and defense ministers of the Western European Union member nations, the "European Security Platform" was formally adopted, and an agreement was reached on the security, defense, and disarmament issues. These measures will give the Western European Union a "conspicuous right to speak" in the NATO. 3) In a consultation meeting attended by the heads of French and German governments in November 1987, it was decided that the formation of a "Franco-German joint army brigade" and a "Franco-German Defense Committee" would be announced in January 1988 in an attempt to promote the building of a "European defense." (Wu Fanggui [0702 2455 2710] and Li Yiyang [2621 0110 5888])

IV. In the Asia-Pacific region, military confrontation has weakened, but friction and competition in the political and economic spheres have become increasingly complex. In such hot spots as Cambodia and Afghanistan, military confrontation and political struggle have intensified. The status quo in Korean Peninsula is basically preserved, while the position and role of Japan in this region tend to be more important.

A. Last year, large-scale battles on the Cambodian battlefield have been reduced. Vietnam redeployed its troops and concentrated its main forces in large and medium-size cities and along the main communication lines, while Democratic Kampuchea focussed its work on winning mass support, developing its position in rural areas, and forming basic-level organizations. The Soviet Union and Vietnam revised their policies and expressed their willingness for "political settlement" by bringing their Cambodian puppet to the forefront. Since they have not yet changed their basic stand, a breakthrough in the "political settlement" of the Cambodian question is

hardly possible in the near future. They wanted to disrupt the unity of the three resistance groups of Democratic Kampuchea by flaunting the "national reconciliation" banner and to divide the ASEAN countries. The key to a "political settlement" still lies in the withdrawal of Vietnamese troops and the formation of a four-group coalition government truly headed by Prince Sihanouk.

B. The military struggle in Afghanistan has come to a stalemate, while activities for a "political settlement" have markedly increased. At Soviet bidding, the Najibullah regime is actively publicizing its "national reconciliation" policy. The Soviet Union continues to apply pressure on Pakistan and at the same time tries to be conciliatory. In 1987, the Soviet Union for the first time held a direct dialogue with Pakistan on the Afghanistan question. On the same question, the United States is still applying pressure on the Soviet Union, but does not oppose any "political settlement" that may be favorable to the United States. Some progress has been made in the meeting, presided over by a representative of the Soviet General Secretary, between Pakistan and Afghanistan. The Soviet Union recently stated that it might withdraw its troops within 1 year. The crucial question now is how to form an Afghan government after the withdrawal of Soviet troops. The Soviet Union hopes to have a government with the Afghan People's Democratic Party as the main component, while the United States and Pakistan are in favor of a provisional government headed by ex-King Zahir Shah with participation by the representatives of various parties. Because of the complexity of the Afghanistan question, an all-around solution would meet with many obstacles. Some progress may be made in this direction, but setbacks cannot be precluded. (Lin Zhonghan [2651 0112 3211] and Li Mouji [2621 6180 2061])

C. The situation of Korean Peninsula may be generally described as relatively stable in a state of stalemate. The basic policy of the United States has not changed. It is still pursuing its policy of "cross-recognition" in an effort to preserve the present division between the south and the north and a "balance of power" in this region. However, it has somehow relaxed its posture toward the DPRK so as to avoid any tension in the peninsula and to facilitate the Olympic arrangements in Seoul in 1988. In the long run, both South and North Korea need vigorous economic development and the preservation of a stable situation on the peninsula. (Li Changhuan [2621 2490 3562])

D. The question "Where is Japan heading?" has attracted world attention. In the past several years, the following important events occurred in Japan:

1. Inside Japan, neonationalism is rearing its head, and big-national chauvinism is growing, as shown by its eagerness to change its postwar policy of stressing economy at the expense of politics. It wants to play a more important role in the international community.

2. As a great economic power, it has a growing desire to influence the politics of other countries with its economic strength.

3. With its big-nation diplomacy, it is making every effort to set up and participate in a new world order. Under the slogans of "a member of the West" and "a member of Asia," it is competing for leadership of the West as well as a dominant position in Asia.

Nakasone's term of office ended last November, and the Takeshita cabinet was formed. Generally, Takeshita will inherit Nakasone's line, but may use a different diplomacy with some Takeshita coloration.

1. He may revise Nakasone's policy which attached greater importance to Japan's relations with the West than with the neighboring countries, and may launch his Asian diplomacy more actively so as to further expand its role and influence in this region. He may improve the Sino-Japanese relations which showed marked disharmony during Nakasone's term of office, as we can see from some of his new gestures toward these relations after his assumption of office.

2. He may try hard to alleviate the daily increasing Japanese-American frictions and the high pressure from the United States. He must also guard against a possible increase in U.S. pressure after the improvement of U.S.-Soviet relations. Military cooperation between Japan and the United States will tend to be closer, and Japan's defense responsibility will be heavier. It would still be difficult to alleviate the economic friction between Japan and the United States, but such friction will not cause any hiatus in their political relations.

3. He may expand the scope of Japan's diplomatic activities by establishing Japanese-Soviet relations when such an opportunity is available. In the opinion of the Takeshita cabinet, the U.S.-Soviet summit talks have ushered in a new phase of their relations. When U.S.-Soviet and Sino-Soviet relations tend to improve Japan should make every effort to avoid the situation of confronting the Soviet Union single-handedly. Economically, people in Japan's economic circles also believe that since the Soviet reform has offered the opportunity for expanding its trade with the West, Japan cannot simply sit down and let pass this opportunity. (Xu Zhixian [1776 0037 0341])

V. Last year, world economy maintained its slow growth, but the fluctuations in the international financial situation was even more serious. The economic upswing in the major industrial countries of the West has been sustained for 5 years. The new economic "recession" predicted by economists at home and abroad in the past 2 years has not occurred. Despite its many difficulties and problems, Western economy is at present still the best among the three economic blocs of the world in economic growth. According to a general estimate, the economic growth rate of Western countries may increase

from 2.4 percent in 1986 to 3 percent in 1987. Among these countries, the United States had an increase from 2.9 percent to about 3.2 percent; Japan, an increase from 3 percent to 3.5 percent; and Western Europe, a drop from 2.5 percent to about 2.3 percent. In 1987, the developing countries as a whole basically maintained an economic growth rate of 4.2 percent above the 1986 level. The growth in the "four small dragons" was a little more spectacular. In South Korea, Taiwan, and Hong Kong, it might reach 10 percent or even higher. In Singapore, it would be at least 8 percent. The general situation in South Asia was not so good. In India, the economic growth rate dropped from nearly 5 percent in 1986 down to 2-3 percent. In Africa, it may increase from 1.2 percent to 2.4 percent, and in Latin America, it dropped from 4 percent to 3-3.5 percent. That of Eastern Europe was maintained at about 4 percent, and that of the Soviet Union dropped from about 3.6 percent in 1986 to about 3 percent.

In 1987, the most serious problem in the world economy was the marked deterioration of the monetary situation as shown in the following three respects: First, there were new developments in the international loan crisis. Brazil sounded an emergency call, and decided to postpone indefinitely the payment of interests on its medium-term loans totaling \$68 billion, to foreign commercial banks. Many other countries made the same request. It was not until October this year that Brazil succeeded in reaching some provisional agreements of a compromising nature after 10 days' talks. Second, the dollar exchange rate continued its drop. The rate of exchange between the dollar and the yen has hit an all time low of 1 to 128; and between the dollar and the mark, it dropped down to 1 to 1.626, also an all time low. The drop is still continuing. Third, the world stock market took a universal nosedive. In only one short week of October 1987, the world stock market registered a total loss of \$1.6-1.7 trillion, and the monetary market throughout the world was in chaos.

This turbulent situation of world economy was attributed to three major imbalances: first, the United States's huge financial deficit; second, the huge adverse trade balance of the United States and the huge favorable trade balance of Japan and FRG; and third, the heavy foreign debts of developing countries. The first two imbalances are within the United States and the West, while the third is between the south and the north. These imbalances should be adjusted with compulsory measures.

According to a general estimate, the growth rate of world economy will be low for some time. In the next 2 or 3 years, a worldwide capitalist economic crisis may occur in the West. (Ke Juhan [2688 1446 7281])

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**7th Meeting of EC, ASEAN Foreign Ministers**  
40050232 Beijing RENMIN RIBAO in Chinese  
5 May 88 p 6

[Text] Duesseldorf, 5 May—The 12 nations composing the European Common Market and the 6 nations which make up the Association of Southeast Asian Nations



satisfactorily concluded their seventh conference of foreign ministers on 3 May in Dusseldorf, West Germany. The results of the conference make clear that, building on a strong and comprehensive base of cooperation established over the past 10 years, these two highly distinctive regions of Western Europe and Southeast Asia have responded to the challenge of the 1990's by creating a new joint strategy to mutually promote their future development. A joint declaration issued by the conference declares, that as relations between the two regions mature from day to day, there can be "full belief in future cooperation between the two great circles of nations."

In the 1970's, after Great Britain's entry into the Common Market and the sudden boom in the economy of the ASEAN nations, ASEAN entered a new era of intensified cooperation with all the nations of the European Common Market. In November 1977 the ASEAN ambassador to Brussels made the first formal contact with the EC council of ministers. In the following year the first bilateral conference of foreign ministers took place; moreover a system of regularly scheduled meetings was instituted. On 7 March, 1980, the five nations which made up ASEAN at that time formally signed a cooperation agreement with the EC in Kuala Lumpur. This was the first treaty of its kind in which the member nations formally used the ASEAN title in external relations. In politics, ASEAN supports the progress of European unification. The EC supports ASEAN's just demand that Vietnamese troops withdraw completely from Cambodia, and that Vietnam help resolve the refugee problem which the occupation of Cambodia imposed on ASEAN nations. The characteristic economic structures of the two regions are mutually complimentary, which has encouraged the rapid development of trade between the EC and the ASEAN nations. Between 1973 and 1984 the volume of trade increased more than 600 percent; in 1986 the total volume of trade reached \$173.057 billion. The EC has already become the ASEAN nations' third largest trading partner. Moreover, the EC has increased development aid, and now provides 20 percent of such assistance received by the ASEAN nations, putting the EC in second place. There has also been a strong bilateral effort to encourage investment, reform small and medium-sized industry, and exchange technology. The areas of cooperation have expanded without pause.

This conference of foreign ministers is held at a time when the EC is hastening towards the realization of internal economic unity, and the ASEAN nations have an opportunity for continued development. The ASEAN nations will pay close attention after the EC unifies in 1992 to the impact of exports from Southeast Asia and investments therein. In regards to this, West Germany's Foreign Minister Genscher clearly stated in the opening ceremony, an economically strengthened Europe "will be even more open to the outside world." EC council representative (Xiesong) said in a working meeting that the formation of a unified European market would not signify the strengthening of economic protectionism, nor

a withdrawal by Western Europe to its own continent, but rather presages the beginning of a new era in relations between the EC and ASEAN. This eased some misgivings among the ASEAN nations. Another topic of discussion was the improvement of Southeast Asia's economic structure. Although the ASEAN nations' balance of trade with Western Europe is equitable, manufactured goods constitute only about half of the total volume; the dependence on raw material exports has not completely changed. In a joint statement both sides agreed to cooperate in promoting the diversification of ASEAN's trade and stabilize the prices of raw materials. Increased European investment in Southeast Asia was an additional topic of discussion in this meeting. The joint statement affirmed continued improvement of investment conditions, intensified information exchange, and vigorous action by the EC investment commissions established in ASEAN nations. Undoubtedly this can establish trade relations between the EC and ASEAN nations on an even more secure foundation.

Western Europe and Southeast Asia have important economic and political roles in the modern world. The EC and ASEAN together comprise 18 nations and more than 500 million people. Exactly as Foreign Minister Siddhi remarked in a meeting, "The challenge of the 21st century draws us even closer together." There is reason to believe that EC and ASEAN can look forward to another decade of even closer cooperation.

13403/9274

#### **British Scholars Discuss Sino-West European Relations**

40050301 Beijing XIANDAI GUOJI GUANXI  
[CONTEMPORARY INTERNATIONAL RELATIONS]  
in Chinese No 1, 8 Mar 88 pp 22-25

[Article by Li Shanlin [2621 1472 2651], Lu Shufang [7120 2885 5364], and Zhou Jing [0719 6975]: "Current International Situation and Sino-West European Relations; Summary of a Panel Discussion by Chinese and British Scholars"]

[Text] On invitation by the China Contemporary International Relations Research Institute, five well-known British scholars on international issues, namely, Professor Richard Langhorne, director of International Issues Research Center of Cambridge University, Great Britain; Professor William Wallace, director of Soviet Union and Eastern Europe Research Institute of Glasgow University; James Hoare, Research Officer and responsible person for Far East questions of the Ministry of Foreign Affairs, Great Britain; Dr Paul Taylor, senior lecturer in international relations of London Economic and Political College; and Mr Michael Yahuda, expert on Chinese questions, visited China from 18 to 31 October 1987 for academic exchanges.

From 19 to 20 October, the Chinese and British scholars at the Contemporary International Relations Research Institute discussed the current international situation and questions of the roles of China and Western Europe. In addition to the five British scholars, the research staff of the Contemporary International Relations Research Institute, the International Issues Research Institute, the Chinese Academy of Sciences, and Beijing University also participated in the discussions. At the meeting, the scholars of both countries expressed their views freely and forcefully in a warm discussion of the relevant issues. Their speeches are summarized as follows:

### I. Questions of The Current World Situation and Its Tendency

The participants all agreed that since the beginning of the 1980's, the world situation and international relations have undergone important changes. They pointed out the following characteristics in the international situation:

A. While the United States and the Soviet Union are confronting each other, their relations tend to relax. Both the Chinese and British scholars held that because of the change in strategic thought and the domestic political and economic requirements, these two countries may reach some agreement on disarmament. They may also agree on a 50 percent cut in strategic weapons after the INF agreement. Hereafter, they will continue to compete for military superiority, and will not abandon their arms race; but both need a peaceful environment. The Soviet Union is even more eager to divert its main efforts to the economic and technological fields, and that is why despite the confrontation between the two countries, there is a tendency toward a detente. Nevertheless, we should not overlook the various factors limiting the scope of the detente. The British scholars pointed out: The intermediate-range weapons to be destroyed this time accounted for only a very small portion of their nuclear arsenals—no more than 4 or 5 percent. Furthermore the superpowers are in possession of stockpiles of highly destructive and accurate conventional weapons and are still manufacturing chemical weapons capable of wiping out the whole population of an area. The talks on the elimination or reduction of these weapons will be more difficult, and their verification cannot be easy.

B. The world is changing from bipolarization to multipolarization. For some time after World War II, the world pattern was manipulated by two world powers—the United States and the Soviet Union. This situation has gradually changed in the past 10 or 20 years. They are still the superpowers, but we must note the weakening of their influence and control over world affairs. Even U.S. control over Western Europe and Soviet control over Eastern Europe have gradually weakened, while China, West Europe, Japan, and the Third World countries are playing increasingly significant roles. The

world is now developing from a state of bipolarity to one of multipolarity. However, this development can only be completed in the future or the distant future, but not the immediate future.

C. The Asia-Pacific region is coming into prominence. Since the beginning of the 1980's, this region has maintained a fairly high momentum of economic growth and attracted European and American attention. Japan is now a strong economic power of the world and has surpassed the United States in the development and application of technology in many areas. Therefore, economically, Japan is actually a superpower. Some scholars held that China's economic reform is great and full of historical significance. British scholar Wallace pointed out that in view of China's huge territory, abundant resources, and large population, it can be predicted that "China can give a new look to the whole world" as long as its people can master the new technologies, wage hard struggles, and adopt wise foreign policies. He also added: A proof can be found from Japan's experiences. Japan's territory is limited, its population is large, and its resources are inadequate. However, its people's mastery of advanced technologies and hard work have enabled it to become a strong economic power in a fairly short time. Therefore, we may say that technology begets real strength. The situation of South Korea and other newly emerging countries in the Asia-Pacific region has somehow proved this point. There is no doubt that China's development will also prove this point.

The U.S.-Soviet confrontation has always centered on Europe and its peripheral regions. However, as Gorbachev pointed out in 1986, the Soviet Union had overlooked the Pacific region, and should now divert its attention from the arms race with the West to economic cooperation and mutual understanding with the East. In the past several years, the United States also found beyond its expectation that its trade with the Pacific region surpassed that with the Atlantic region. Wallace believed that because of the United States' growing interest in its friendly relations with China, the possibility that it may some day take the initiative of withdrawing its troops from Europe may not be as remote as some commentators may imagine. The superpowers' evaluation of the importance of the Pacific region may have produced some effects on the signing of the INF agreement. The increasing importance of the Pacific region will certainly induce the superpowers to reach other agreements on military issues, and will influence their foreign policies for some time to come.

D. The world has entered a new stage of high technology. The increase in the real strength of a country and the rise of its international position are usually decided by economic development which in turn is decided by scientific and technological development. The United States and Japan are now taking the lead in scientific and technological developments. Western Europe and China

understand that they should not be technologically inferior to others or be reduced to second- or third-rate countries. They must meet this challenge. China and Western Europe must make full use of the historical experiences, modern technology, and natural resources so that in the future, they may at least keep pace with the most powerful country in technology.

E. Reform has become common throughout the world. China is now conducting its economic and political structural reforms; the Soviet Union and Eastern Europe are also conducting reforms; Western Europe is readjusting its industrial structure; and the Third World countries are also conducting experimental reforms of various types. The result of all these reforms will certainly have some important impact on the future world situation.

F. People's demand for peace and development in various countries have become an important force in the present world. Third World countries as a whole cannot endure the regional and local conflicts after the War, and the medium and small countries have joined together to oppose power politics and to demand peace and development. The voice of the Third World is more and more extensively heard.

A few British scholars believed that the conflicts among Third World countries are not caused by the United States and the Soviet Union, but rather by conflicts between the new and the old or by domestic difficulties. Of course, some foreign country may sometimes be involved. The war between Iran and Iraq, for example, was not instigated by the superpowers.

The British scholars also believed that the real danger is the rapid increase in the Third World population and the mutual competition among Third World countries. These usually bring disasters instead of opportunities.

## II. Question of Soviet Reform

A. Assessment of the nature and prospect of the Soviet reform. The majority of scholars believed that Gorbachev was sincere in the reform. In 1984 and 1985, some people raised the question of genuine or sham reform; now very few people raise this question. This reform is entirely different from the reform in the mid-1960's; it is a genuine and all-out reform.

Some scholars believed that although the Soviet reform was brought about by internal and external pressures, it also truly embodies certain changes in ideology. Some of these changes are shown as follows: 1) Gorbachev is a little ahead of Reagan in recognizing the world's tendency toward multipolarization. The Soviet Union has become increasingly aware that important international problems cannot be solved by relying on two superpowers alone; they must seek support from the medium countries. 2) The Soviet Union has changed its views on

capitalism, and laid more emphasis on peaceful coexistence. 3) In addition to the concept of peaceful coexistence with capitalism, there is now the new concept of "coexistence with socialists," which implies that there are other socialist roads besides the Soviet one. 4) Its views on war and peace have also changed.

The majority of scholars agreed that despite Gorbachev's sincerity, the reform would encounter serious difficulties. The main difficulties are as follows: 1) The heavy burden of armament. If the Soviet Union does not maintain a suitable speed in its armament, its unfavorable position in the controversy with the United States will continue. However, if a suitable speed has to be maintained, economic development will be greatly restricted. 2) The fairly serious obstacles inside the Soviet Union. There are serious differences on not only the need for reform, but also the way to reform. However, some other scholars believed that despite the difficulties and obstacles, reform in such a large country as the Soviet Union has its innate motive force and laws. Once it gets started, the reform will be carried through to the end independent of people's will.

B. Some views on Soviet adjustment of foreign policy. Many scholars held that some signs of an adjustment of Soviet foreign policy as a natural result of its domestic reform are already noticeable in the following instances: 1) It has readjusted its relations with the United States, Japan, Europe, and other Western countries. First of all, Gorbachev made many concessions to the United States in arms control. His part in the INF agreement called for great determination. 2) He called for a revision of the Soviet Union's Third World policy, and is also readjusting its policy toward the Pacific region. 3) In handling regional conflicts, the Soviet Union has changed its former overbearing approach. It acted cautiously in Central America; cooperated with the United States by trying to seek common ground on major issues and reserving difference on minor ones in the Gulf situation; and demanded UN action in the settlement of Middle East disputes. 4) Soviet relations with China though not basically changed, have been relaxed. 5) Its attitude toward international organizations has changed from passive to fairly active. However, many scholars held that it is still too early for an accurate assessment of the Soviet readjustment of foreign policy. Right now, they could not see any basic change in their important policies in preserving its position as a superpower, and its controversy with the United States for hegemony, although its methods are a little more flexible.

## III. Questions of West European Situation and Sino-European Relations

A. Many scholars believed that along with the change in the international situation, Western Europe will face many challenges, especially from the new technological revolution and from the question of security. Therefore, Western Europe is in a transitional stage. Some scholars held that in Western Europe, some changes may occur



against a background of a basically unchanged pattern. In the foreseeable future, Europe's Yalta system will not be changed (although weakened). There will be no change in Western Europe's reliance on NATO and in its alliance with the United States. The Western European Union is still a union of sovereign states. It cannot in a short time turn out to be a federation above the national level or formulate any common foreign policy or defense policy. However, in the face of important challenges, Western Europe is in real need of some change, and is changing in the direction of greater independence and closer scientific-technological and economic cooperation. For security, it will attend to the three following matters simultaneously: continued reliance on NATO but with reformed relations inside the alliance; utilization of the opportunity of the Soviet reform to speed up the development of the detente; and, if conditions permit, strengthening cooperation in Europe's defense.

Some scholars stressed the difficulty for a European union, because the union is only for cooperation among member nations which are sovereign nations. As such, each of them has its own national interests to consider. The EEC can only take care of part of the interests of its member nations, and these nations have to pursue their other interests separately from external sources. Dr Taylor pointed out four aspects of these national interests: traditional interests (originating from social, cultural, and long existing political relations); basic interests (involving the supply of necessary raw and semifinished materials); commercial interests (including the maintenance and expansion of markets and the supply of aids); and group interests (welfare interests, protection of citizens, and security). There are not only different national interests among West European countries, but also different views among different political groups of one country. The study in Europe calls for prudence. Realism, but not idealism, is needed.

B. The question of Sino-West European relations. The participants at the meeting all agreed that the present Sino-West European relations are at their best in history, since it is no longer restricted by the Cold War of the 1950's and 1960's, nor affected by the tense Sino-Soviet relations of the mid-1970's. After the settlement of the Hong Kong and Macao questions, there are no knotty problems or obstacles on either side. Both China and Europe are old civilized countries, and now have common aspirations. They need each other economically, and hold identical or similar views on many important international issues. Everyone were optimistic about the development of Sino-European relations. However, some scholars pointed out that we must not be satisfied with the present situation, because a lot more can be done especially in economic and cultural exchanges.

The participants also agreed that China and Western Europe can play important international roles separately as well as jointly. Therefore, they can restrict the roles of the superpowers. China and Western Europe are not superpowers. On international issues, they are usually

more acceptable as mediator nations. Some British scholar said that although China calls itself a Third World country, Western Europeans think that it is also a great nation, because what it does may have an important impact on the world's strategic relations, on the superpowers, and on Europe's security. That is why there is a great difference between China and a Third World country.

The British scholars also presented some interesting views: China and Europe are in different regions and cannot threaten each other's security. For the same reason, however, neither side would give top priority to their mutual cooperation. According to the traditional views of the EEC, its interest is first in the development of relations with the Soviet Union and Eastern Europe, and then with China. China, on the other hand, belongs to the Asian-Pacific region, and therefore its first concern is with the development of relations with this region.

Both the British and the Chinese scholars held that this face-to-face academic exchange should be very useful in enhancing mutual understanding. The more Chinese and Western European people understand one another, the closer will they become, the stronger will be their cooperation, and the more helpful will it be to the preservation of world peace and security.

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## SOVIET UNION

**'Soviet New Political Thinking' Outlined**  
40050291b Shanghai SHILIE JINGJI DAOBAO in  
Chinese 30 May 88 p 4

[Article by Zhang Gang [1728 6921]: "Outline of Soviet New Political Thinking"]

[Text] According to the news from "Forum on New Soviet Political Thinking and Readjustment of Foreign Policy", several dozen specialists from concerned scholarly research agencies nation-wide summarized the major points of the new political thinking proposed by Soviet leader Gorbachev as follows: 1) The world is an "integrated entity"; countries are "interconnected and interdependent"; apart from the two systems of East and West, there is a large third world which is a force for peace; 2) "Mankind is more valuable than anything else"; relations between countries should be non-ideological and class analysis should be scrapped; 3) "There are no winners in a nuclear war"; war is a continuation of politics and the formula of means and methods is out-of-date; 4) Security should be mutual and conventional and military methods cannot guarantee security; the balance of power is ultimately unreliable; political means alone are the ultimate means for guaranteeing security; 5) We are now in the "cosmic nuclear era", a "high speed era"; 6) Modern capitalism still has abundant "vitality" and we should not evaluate the situation

in terms of "imperialism has not changed"; its military expression can be controlled; 7) The estrangement in East-West relations creates enormous losses for both sides, these relations should be shifted to the track of peaceful coexistence and cooperation and they should not view their opposite number as the "enemy" and should dismiss the idea that Soviet-U.S. interests are "zero-sum"; 8) The countries of the world should coexist peacefully, compete peacefully, "be absolutely equal" and should respect the proper interests of each country, international relations should be democratized and humanized; 9) "Political resolution is the sole means" of resolving international disputes and regional conflicts; 10) The aim of Soviet military policy and military strategy is to prevent war, not permit the outbreak of war, and among the stipulations, defense is the "basic pattern" of combat; military forces should be maintained at a level of "reasonable sufficiency"; 11) In a nuclear age, there is no cause and effect relationship between war and revolution; revolution and liberation movements are produced on the soil of the country itself; revolution absolutely cannot be exported, otherwise it can lead to uncontrollable military and political consequences; 12) The international communist movement has encountered "very severe difficulties" and is in a "stagnant state"; socialism has lost its force as a "model"; 13) There is no center to the socialist system; there is no fixed model; countries are absolutely equal; he admits that Soviet communism has made mistakes with regard to the party in power in other countries; 14) He admits the errors in the foreign policy of the Soviet Union in the past.

08226

### **Press Group Visits Beijing, Discusses Glasnost Law**

40050291a Shanghai SHIJIE JINGJI DAOBAO in Chinese 30 May 88 p 3

[Text] The Soviet Union today is more definite regarding rights of reporters and politically will no longer have a censorship system. This issue is that there are still many who oppose open criticism. Readers today not only want to read newspapers but also want to express their opinions in the newspapers. The Soviet Union cannot have an opposition party now, but newspapers can play the role of a socialist opposition.

Afanasyev, Chairman of the All-Soviet Reporters Association and editor-in-chief of PRAVDA is leading a delegation from the All Soviet Reporters Association on a two-week visit to increase contacts with Chinese colleagues and to sponsor, in Beijing and Shanghai, a series of forums termed "open to discussion of any question" to introduce reforms in the Soviet Union, especially the trends in the press.

The news which Afanasyev brought first is that Moscow is discussing and drafting a "glasnost" law. He explained that the Soviet Union's authority over the news reporters

now is especially definite and there will no longer be a censorial system except where state military secrets are involved. Areas in which criticism is prohibited will also be gradually reduced, even party resolutions which, if they are not effective, can also be criticized. The problem is that there are still a great many people who are opposed to open criticism. Some of those criticized have often accused the press not on the grounds that what was said was inaccurate or there were discrepancies in the facts and to deny this is, in principle, correct criticism.

In the face of this situation, the Soviet Union now feels that before the "press law" is made public, a "glasnost" law should be promoted first to clarify the limits and safeguard the interests of reporters.

Afanasyev, who has been involved in news work for over 20 years, told his Chinese colleagues that there have been big changes in the Soviet press in the past three years. In the past, PRAVDA used to receive over 400,000 letters per year, but last year the number suddenly increased to 750,000 and now PRAVDA also arranges for over 30 meetings with readers each year and encourages all comrades to participate. After the 27th Congress of the Communist Party of the Soviet Union, Gorbachev met with representatives of the press. Afanasyev said that he had never experienced such high regard for newspapers on the part of the leadership and such close links with social developments.

Kondrashev, political commentator for IZVESTIYA added that the viewpoint of the Soviet Union today is that reporting should not only be the voice of the Central Committee leadership—this voice often beautifies reality—but also must reflect the voice of all society and become a mirror to accurately reflect social reality. In fact, today's readers not only want to read the paper, but also should express their views in the paper.

That even more people express different views and dare to add their own names, is something that Afanasyev views as more encouraging than resolving the problem of food supply. He said that this month, PRAVDA published a letter dealing with such a touchy and keen issue as "party power and party prestige" which contained 11 suggestions, including limiting the tenure of leaders at all levels in the party, and there was quite a reaction.

Many of the sensitive issues raised by the media have involved some gaps in history and in Afanasyev's view, raising historical questions is so that people will understand and so that in the future we will absorb some beneficial things and lessons from the past. In the past 20-25 years the Soviet Union has been in a stagnant period economically, in terms of science and technology, and culturally and this has not been accidental.

When discussing how the principles of "glasnost" and "democratization" will be manifested, Editor-in-Chief Afanasyev mentioned an important idea in the Soviet



press today: the Soviet Union cannot have any opposition party now, but the newspapers can play the role of a socialist opposition to propose constructive criticism on major issues facing the country and help the government overcome and resolve them as early as possible.

As a specific measure of "glasnost", the editor-in-chief, who frequently participates in meetings of the Politburo of the Communist Party of the Soviet Union divulged a secret to his Chinese colleagues: Since Gorbachev has become general secretary, documents are prepared in advance and the practice of only requiring a show of hands to pass things at a meeting is no more. Politburo members have begun to debate the proposals up for discussion even for as long as half a day.

As for the letter from the woman teacher which provoked a great uproar, Afanasyev felt that expression is a

manifestation of "glasnost" and is normal and a phenomenon that in the future cannot be eliminated. The issue in this letter provoked some unhealthy interest, not only among the masses, but also at leadership levels and some areas even set up study sessions viewing it as a criterion of "glasnost" and this is no longer the same.

He said analytically that the danger in this letter is manifested in two aspects: he felt that in socialism, class contradictions can become sharp, calling for a restoration of Stalin's methods of management by administrative directive. This goes against truth and the law. Just when we are rallying and joining hands to promote reform this letter split our society, whether intentionally or not, and this cannot be permitted.

08226

## NATIONAL AFFAIRS, POLICY

### Commentary on 'Great International Circle' Strategy

40060386 Tianjin ZHONG QINGNIAN JINGJI LUNTAN [YOUNG ECONOMISTS FORUM] in Chinese No 3, 3 May 88 p 68

[Review article by Xiao Siru 5135 0934 1172, assistant research fellow, Jiangxi Provincial Government Economic Research Center: "Another Discussion of the Great International Circle Development Strategy: A Conversation with Comrade Wang Jian"]

[Text] *Editor's Note: The proposal of the novel idea that China should join the great international circle has been enthusiastically received by the masses and has induced theoretical circles to give the matter careful thought. The following commentary, though theoretically weak, does present a different point of view. We publish it here to stimulate discussion in the hope that study from all angles will improve and deepen the theoretical underpinnings of this new strategy and advance China's program of opening up to the outside world.*

The novel approach Comrade Wang Jian [3769 1696] introduces in his article "Select a Correct Long-Term Strategy: Some Conceptualizations of the 'Great International Circle' Development Strategy," which was published in JINGJI RIBAO 5 January this year, caused a tremendous stir in China. Wang's attempt to identify the principal contradiction at the current stage of China's development and analytic effort to devise development strategies, sequences and policies to deal with this contradiction are logically compelling, and his prescriptive proposal to give priority to the development of labor-intensive exports and to use these exports to accumulate capital with which to fund general upscaling of production represents a concrete application of modern development theory to practical reality in China. Nevertheless, a number of Wang's ideas require further discussion.

#### The Principal Contradiction at the Current Stage of Development

Wang's article stated that the principal contradiction at the current stage of our economic development is the competition for capital between industrial upgrading and the shift of rural labor. This view is inaccurate. The real contradiction plaguing China's production forces is the fact that it has too much labor and much too little capital.

First, the shift of rural labor and the rise of new processing industry are not inimical to upscaling of the productive mix. Attempts to identify the principal contradiction of development should systematically examine the entire productive system, including primary, secondary and tertiary industries. The shift of labor and capital inputs from primary industry into processing and from

processing that yields lower returns and suffers from backward technology to processing that boasts better returns and technology are consistent trends (i.e., both involve upscaling of production) and complement and promote each other. We cannot expect rural labor to leap in a single bound from traditional, backward agriculture directly into hi-tech production. Rather, the shift of labor from cultivation, where productivity is low, to processing industry, where productivity is higher, is a natural phase in the upscaling China's entire productive structure.

Second, the rise of rural processing industry is not inimical to Wang's strategy of resolving the contradiction he believes is central to China's development. Wang calls for priority development of coastal labor-intensive export processing, which he believes will spur growth of similar industry in the hinterland, and for using foreign exchange earned through exports to resolve our shortage of capital and thereby promote upscaling of all industry. This proposal is entirely consistent with the current trends in the development of rural production and certainly does not represent a new gambit in resolving "the two predicaments." Rural processing industry, which has grown out of 9 years of reform, is primarily labor-intensive, the development of rural industry has exploited our comparative advantage—abundant labor, and for a long time the shift of labor in our country will largely take place through rural industrialization. Naturally, the state must provide more guidance to the development of rural enterprises in the areas of technology, market information and upgrading of production.

Third, labor movement is not limited to the countryside; urban labor also shifts from one industrial sector to another. Pressure for urban labor movement in China comes from two sources: young people waiting for employment, and hidden unemployment in industry. One of our economic objectives is to shift this labor so as to create new wealth. Thus cities face a similarly sharp contradiction between excess labor and shortage of capital.

Fourth, the contradiction between excess labor and shortage of capital is the principal contradiction plaguing the economic development of all backward nations, so China is no exception. Developing countries account for 76 percent of the world's total population but for only 20 percent of annual world investment. Thus development represents an overcoming of this contradiction. The prolonged stagnation in Third World development is due to the shortage and waste of capital in backward nations. By contrast, some newly industrialized countries [NICs] have managed to combine their limited capital and their labor forces in an effective mix, take advantage of international markets, rapidly increase output value and thereby promote industrialization. Thus competition for capital between the shift of agricultural labor and industrial upgrading is not the principal problem confronting China and other developing countries.

Fifth, the shortage of capital in our society forces us to make choices in determining which sectors to fund, which inevitably means that some sectors boom and others stagnate. Thus capital deployment poses a contradiction in the development process, for example, between industry and agriculture and, within industry, between light and heavy industry, and so on. But these are structural contradictions, not the principal contradiction, in development. The question of whether to use capital to expand processing of agricultural and sideline products or for hi-tech industry also falls into the category of structural contradiction.

### The Great International Circle Development Strategy

The reasoning Wang employs in arguing that the great international circle strategy is the way to resolve his contradiction is a bit forced in terms of theory.

The theoretical wellsprings of the great international circle strategy (for the moment, we will employ this formulation) are the international division labor, the theory of international competition, and developmental economics, and the practical bases of the strategy are the economic development experiences of NICs and China's own experience in opening up to the outside world, which opening led to readjustment of our productive structure.

Strictly speaking, the great international circle involves international circulation of commodities, production factors and currency. To join the great international circle means to enter international markets to exploit one's comparative advantages through international economic exchange. Since China has abundant labor resources and a shortage of capital, market forces naturally guided her into export of labor-intensive commodities when she opened up to the outside world. And our government's correct policies on import-export trade have promoted rapid change in our productive structure. Dr. Fei Jinghan [6316 2529 3352] of Harvard University analyzed the experience of countries that have successfully "taken off" since World War II and has identified four stages in their development of externally oriented economies: the movement from colonial-type trade (export of primary products and import of consumer goods) to import substitution (export of primary products and import of equipment and other means of production), to export-led growth (export of processed goods, starting with labor-intensive products and then advancing, as a natural second step, to hi-tech), whereupon economic takeoff is achieved.

During its 9 years of reform, China's foreign trade has grown at an annual rate of about 16 percent, processed goods have accounted for approximately one-half of her total export value, and labor-intensive products have comprised about 80 percent of her processed exports. Using advantage in labor to obtain comparative advantage in international competition thus has proved successful for China and accelerated capital accumulation

and development of technology-intensive industry in her coastal areas. And along with the development of labor-intensive export industry in coastal areas, there has also been a rapid rise in the number of exports produced in the interior. These are our experiences in joining the great international circle and are fully consistent with Wang's notion of "shifting rural labor into the great international circle, and using expansion of labor-intensive exports to fund employment of surplus rural labor and to earn foreign exchange from international markets" and with the goal of shifting peasants, who are advancing, into nonagricultural production.

Wang claimed that there should be three stages to China's entry into the great international circle. "During the first stage, we will concentrate our forces on the expansion of exports of light industrial goods, textiles, foodstuffs, beverages, household appliances, light industrial sundry goods and other labor-intensive products and give priority to coastal regions that enjoy better conditions for development.... As coastal products begin to flow abroad, interior goods will strive to dominate local and other domestic markets.... During the second stage, interior goods will begin to flow into international markets, the foreign-exchange earnings of labor-intensive products will improve, and most of our foreign-exchange earnings can be used to support basic industry and infrastructural development so as to pave the way for the development of capital-intensive industry. During the third stage, most of our foreign-exchange earnings will be used to fund development of heavy processing industry which produces high value-added goods, and capital-intensive products will start to flow toward international markets.... Pressure for labor movement will gradually abate, and job seekers will gravitate toward heavy processing industry." A number of points in this strategy require discussion.

First, China is different from the four little dragons of Asia and from Japan. China is a world leader in reserves of many resources but is backward in terms of the sophistication of her processing industry; foreign trade comprises a small share of her national economy and will continue to do so until the end of this century, and thus when orienting herself to international markets she must continue to root her efforts in domestic markets; and the intrinsic accumulative capacity of her domestic commodity circulation will always be the major force driving her economic development. Whether or not China can join the great international circle is not something she alone can decide but rather will be determined by the development of the entire international economy. Wang does not devote sufficient attention to this point.

Second, there is considerable overlap of goods involved in foreign and domestic trade and a very close relationship between competitiveness in export and domestic markets. Thus Wang's claim that "As coastal products begin flowing abroad, interior goods will strive to dominate ... domestic markets" will not occur. In fact, over the past several years, the strengthening of externally

oriented industry has caused this industry to dominate domestic markets more rapidly than it advanced abroad. Thus the "western advance of coastal goods" and the "northern campaign of Guangdong goods" have occurred, and the most competitive of coastal products have been dubbed "made-in-China foreign goods." Therefore, central and western regions should make external orientation the guiding force of their product-mix readjustments, lest these regions find themselves at a growing disadvantage in their competition with coastal areas.

Third, with the exception of the coastal-interior sequence, the developmental stages envisioned in Wang's strategy basically follow Fei Jinghan's theory. But Fei Jinghan has said that his theory summarizes the experiences of NICs or of small island-nations and, on the whole, is not applicable to large countries like China. And China's peculiarity is also rooted in her regional differences and variety of levels of productive forces. Thus in prescribing developmental sequence, we cannot simply distinguish coastal and interior regions (which Wang says should have a time lag of 5-7 years), for labor-intensive products from the interior can also compete on international markets (because such regions have lower income levels and more abundant labor), and heavy processed goods from the interior that meet international technical and material standards should also be developed so as to improve our advantages. The standard for choosing products to enter in international trade should be their costs relative to foreign-exchange earnings, not whether they are labor intensive or however else they are produced. The government should make its goals increasing the total value of our exports, improving our export mix (meaning increasing the share of sophisticated products in total exports) and reducing costs per foreign-exchange earnings—not something else (like achieving a certain rate for labor-intensive goods in total exports).

Fourth, the matter of whether or not pressure for movement of labor will subside as China's development progresses requires further analysis. Wang confuses two related, yet different, concepts—employment pressure and labor-movement pressure. Employment pressure dictates that labor-intensive industry will continue to comprise a large share of China's industrial structure for a long time to come, and this pressure will not abate because of the development of heavy processing and technology-intensive industry. Pressure for labor movement, which can come from pressure either for employment or for continual readjustment of the productive structure necessitated by competition, will grow stronger as China becomes more deeply involved in the great international circle.

#### Current Problems in Agricultural Development

In analyzing the stagnation of Chinese agriculture, Wang concluded that the gap in labor productivity between agriculture and processing industry has caused capital to flow to industry, which has led to an expansion in

processing-industry demand and caused the prices of intermediate products to rise, which, in turn, has sparked price rises throughout and will ultimately lead to the decline of the processing industry. This conclusion implies that the decline in agriculture, which is just beginning, will set off a frightening chain of events that will ultimately lead to atrophy of the entire economy. We believe that this analysis is very one-sided, is more suited to a product than a market economy, and ignores the regulatory effect of the market. China's agriculture has in fact reached the point of declining marginal returns for inputs of capital and labor. Under these conditions, market forces, properly functioning, have shifted labor and capital from agriculture to and promoted the development of processing industry. This development did cause prices to rise, as Wang states, but the interaction between supply and demand also reduced the market prices of processed goods. The balancing of these two forces works to determine price and output levels when supply and demand are at equilibrium. The large increases in the prices of industrial goods and especially for raw materials cannot simplistically be attributed to the rise of rural processing industry alone.

The problems of overpriced inferior goods, uneconomic scale, competition with large industry for raw materials, and the like certainly do plague growing rural processing industry. But in a commodity market economy, we have to let the market weed out the inferior and select the fittest. The continued high growth rate registered by rural industry shows that, on the whole, that industry is well suited to the current stage of China's production forces. Wang alleges that the growth of rural processing industry exacerbates the gap between basic and processing industries, by which he means a technological gap. To understand this issue, we should note three things. (1) The shift of rural labor into processing industry basically serves to improve productive technology and productivity. (2) The development of rural processing industry marks a change for the better from the prolonged emphasis on heavy industry at the expense of light industry. (3) The development of rural industry has prompted demand for improvement of basic industry.

12431

#### Strategies for Investment in Country's Undeveloped Areas

40060352 Kunming JINGJI WENTI TANSUO  
[INVESTIGATION OF ECONOMIC ISSUES]  
in Chinese No 4, 20 Apr 88 p 17

[Article by Nie Yongtai 5119 3057 3141: "A Consideration of Strategies for Investment Directions in our Nation's Undeveloped Areas"]

[Text] For purposes of the Seventh 5-year Plan, the nine provinces and regions of Sichuan, Yunnan, Guizhou, Xizang, Shanxi, Gansu, Ningxia, Qinghai, and Xinjiang are ranked as undeveloped areas on the basis of the combined principles of economic and technological



development levels and geographical position. These areas together account for 40.13 percent of the total land area of the country. Persons of minority nationality here make up 4.66 percent of our nation's population; 72.33 percent of our nation's minorities live in these areas. Poor physical geography conditions, a weak industrial base, backward science and technology, and a fairly low level of productive force make for a situation of backwardness and isolation in these areas, which puts them in a passive position with regard to the transformation toward a commodity economy and further widens the disparity between these areas and the developed coastal regions. How to open up and construct these vast, sparsely populated, multi-nationality areas is not only a major strategy question in our nation's construction of the four modernizations but also relates to the strength and prosperity of the entire nation. This article intends to explore investment directions for productive funds by considering the economic structure and special characteristics of the undeveloped areas.

#### **A. Local Government Investment Actions and the Dilemma Confronting Them**

After being split off from the rest of the country, the undeveloped areas got caught in the dilemma of having only limited funds to employ. "Develop production, increase sources of revenue." This is a simple truth that everyone knows. However, because of the restrictions of a variety of objective factors, the economic results for enterprises have not been great, the accumulation of regional funds has been poor, and the returns on large investments of productive funds have been meager. Government fund grants seem to be increasingly insufficient, and because of the lure of greater profit rates on funds, there is an increasing outward drain of loaned credit funds. People would rather earn a small rate of interest by putting the loaned funds to work outside their area, and they are not willing to shoulder the burden of losses. So, funds grow increasingly short in the areas. Since there are no profits to be hoped for in productive investments, it is better to use money to alleviate rapidly increasing personnel and administrative expenses or for large scale, non-productive construction. The tall, upright buildings and halls in some central cities in poverty-stricken areas become the "few concrete results" which are visible and touchable. One can see that the dilemma in employment of productive funds has severely twisted the investment actions of local governments.

This kind of situation has met with all kinds of reproachful criticism from the outside. They have said that undeveloped areas haven't had the ability to use funds, and so on. Even more, they call the economy in the undeveloped areas a "blood transfusion" economy. This kind of public opinion has made it more difficult for the state to support the backward areas, and at the same time, has given rise to negative ideas in certain undeveloped areas that they might as well sit back and wait for a

"blood transfusion." Obviously, the criticism is one-sided. Aside from the great contributions these areas have made to the nation over the years, these areas have made huge efforts and attempts to develop their economies and change their appearance. For example, they have planted grass and trees for the purpose of developing their agriculture and animal husbandry as a long-term development strategy. Improvements in the ecological environment are necessary. However, the natural conditions that have restrained them have been too great, so short-term efforts at changing their poor appearance and solving their daily subsistence problems have not been successful. These areas have also tried to make a go at developing township enterprise, but they haven't met with much success. The enterprises can't be set up, or only last for a short period or can't make a good profit because of the influence of such factors as lack of quick access to market information, inconvenient transportation, funding problems, technology problems and personnel quality. Then, how do we find an effective means for these vast, undeveloped areas to solve the problem of subsistence in the lives of the people that is beneficial in the long-run to the entire country and to the economy of these areas, that will continue to develop, and that can rapidly change the appearance of poverty in these areas? This question presents us with new items to consider in choosing investment directions for production funds in undeveloped areas.

#### **B. Dual Economic Structure and Its Contrasts**

Over the last 30 years, on the basis of restoration and regular development of our national economy, the state has given much financial, material and manpower support to undeveloped areas and has gradually opened up construction of the hinterland. According to statistics, between 1953 and 1983, the state invested a total of 233.4 million yuan in the infrastructure of these areas. This amounts to 26.3 percent of the total investment by the state for this period. Over 2,000 large and medium scale key enterprises were created, as were 45 scientific research bases for specialized production of vital products, and more than 30 distinctive, new industrial cities. The people had collective enterprises with fixed assets reaching over 120 billion yuan. There were metallurgy, electronics, petrochemistry and war industry departments, all built on considerable scales. In the period between 1965 and 1979, industrial enterprises in remote areas where construction was executed increased their fixed assets 3.75 times, steel production output increased 3.22 times, coal production output increased 2.33 times, electric energy production increased 4.6 times and there was an increase of 62.8 percent in railroad mileage opened up. This clearly shows that through the 156 projects of the First 5-year Plan and the large scale "remote construction" in the 1960's, the industrial base created in our nation's western region has become the most concentrated area of that region's advanced productive force factors and has been an extremely important part of our nation's industrial complex.



However, this has not helped the western region rid itself of its situation of poverty and backwardness. There are still 62 million agriculture and animal husbandry laborers who go to make up another part of the areas' economy. Aside from Qinghai and Xinjiang, the other provinces and regions in these areas are all made up of a higher proportion of primary industry than the national level of 73.66 percent. This illustrates that the majority of the employed population in these areas are engaged in providing food for themselves; because of poor natural conditions, the economic results of agricultural departments are fairly low. 89.6 percent of our nation's grasslands are in these areas, but the 1982 animal husbandry production value only reached 6.995 billion yuan, accounting for 17.19 percent of the nation's total. The cultivated area comprises 21.2 percent of the nation's total, but produce value was only 21.013 billion yuan accounting for 12.7 percent of the nation's total.

It is evident that the notable feature of the economy in the undeveloped areas is the dual economic structure. That is, between the vast farming, forestry and animal husbandry areas and the cities and towns we have two economic phenomena. First, there are the small scale peasant economies which use traditional ways of farming and manual labor. Second, there are the city and town industries which feature modern industrial technology and equipment and the use of cooperative labor.

There was historical inevitability to the formation of this dual economic structure. The bonding and unity that the undeveloped areas have with the entire nation in such areas as geographical location, social life, and the economic system have sped up the development of the productive forces in the undeveloped areas and enabled the areas to accelerate their regional economic development through vital influxes of outside funding, technology and management. These ties with the nation have also caused the industrial enterprises and main cities to strongly grow in prominence. However, the foundation of this development is built on a region with such restricting factors as an extremely backward commodity economy and with special historical traditions and geographical conditions. The lack of ability to carry through with development of the productive forces has also made it impossible for the economic contructions in these areas to rise above the existing levels of productive force. This has brought about two mechanisms of movement and retention of basic patterns—namely, a vertical move up to centralized control and a horizontal move toward management dispersion. In the patterns retained, because great disparity exists among the systems for start-up and production, for motivation and stimulation, and for guidance signals, the main movement of the economy and its allocation of profits have been severed from the regional economy. Large enterprises, subordinate only to the central departments responsible for the work, act independently and are centrally controlled by command plan. Enterprises are bound by the vertical signal system whereby directives come down to them from superiors regarding start-up, types of products,

quantity, prices, and so on. But, the regional economy has a special characteristic—it has a fairly strong, self sufficient natural economy and a good size portion of the budget is allocated for outside investment and collective investment. The cooperation between central enterprises and local enterprises is fairly poor. Because the large scale, economically successful enterprises are not able to create forces of attraction and radiation in the regional economies, the regional economies have no way to develop relying on modern industrial systems. At the same time, this has also lowered the micro and macroeconomic results accruing to these large enterprises themselves. This kind of situation can be summed up as "four big barriers". First, barriers between central enterprises and the local economy. Second, barriers between the different departments within the regional economies. Third, the barriers caused by lack of unified programming among the large industries and enterprises, and fourth, the barrier brought about when one economy makes a unilateral move to change to a newer system.

The above-mentioned barriers create strong contrasts in the economies of the undeveloped areas. One contrast is that a small minority of cities or industrial areas are fairly well off, but the vast number of towns and villages are in poverty. The second contrast is that central enterprises are large scale and have advanced technology, but local industry stands weakly alone with backward technology, outmoded equipment, and may even rely on manual labor operations. The third contrast is that natural resources are in abundance, but base and assembly facilities are weak, difficulties in exploitation are great, processing capabilities are insufficient, and the local economies gain no economic results from national resources. The fourth contrast is that government fund grants are in short supply but funds loaned on credit are available everywhere. What happens is that the government makes an overt grant of funds, and the credit pool funds secretly start to flow. Obviously, the low degree of merging between the two levels in the dual economic structure of the undeveloped areas causes feebleness of movement in the economies of the region.

### C. Choosing Investment Directions

There are two sides to everything. The dual economic structure in the undeveloped areas also makes us take notice of the fact that in this region are the most abundant concentrations of natural resources. On the basis of developing strong points and avoiding weak points, and adroit guidance according to circumstances, I feel that the most effective way to develop the economies of the undeveloped areas is to weaken the dual economy structure within the regional economies by strengthening the mergers between large enterprises and the regional economies. So, the investment directions for productive funds in the undeveloped areas should enable the two levels in the dual economic structure to come together and combine a bit. In this way, by relying on existing dominant industries and central cities, and through the attracting and spreading functions of

"extension site—development center", as well as by contacts among the parties concerned, we can gradually create an economically developing region, increase employment, solve the daily subsistence problems of the masses and then bring about certain breakthroughs and a developmental leap in the economy of the undeveloped areas.

### **1. Carry Out Both New Construction and Reconstruction, Create Development With Dominant Industries in the Forefront**

The developmental economist Horace Mann maintains that within a certain area strength should be concentrated so as to develop a part of an industry. This is because the momentum for economic growth is generally concentrated in departments of dominant industries that have the ability to blaze new trails. These industries and their locations become development centers. The development centers can do two things through their attracting and spreading functions. First, they can spur on the continuous growth of interrelated industries and correspondingly reduce the population pressures in the border regions; second, they can achieve the investment results of spreading the growing flow of momentum to other adjacent regions through key elements of production and creating economic growth at many different levels on many individual sites.

Based on the actual situation that exists in our nation's undeveloped areas, whether it is the geographical location or the economic capabilities, many of the large enterprises have factors and potentials that would allow them to develop. For example, the long, narrow belt that runs east and west through Gansu Province has 10 dominant industries such as the Wangmen oil fields, the Jiuquan steel city, the Jinchang tin metropolis, the Liujia Gorge power station, the Lanzhou chemical industry, machinery, and wool spinning centers, the Baiyin copper city, the Jingyuan coal mines, the Changqing oil fields, the Tianshui electronics and war industry centers, thereby making up dominant industries in petrochemistry, metallurgy, and power generation. The general characteristics these dominant industries share are: (1) They have abundant natural resources that are the conditions on which they depend for existence and development. (2) They are fairly new industries with dynamic natures and advanced technology levels. (3) The quality of their primary products is good, and there are wide markets and great demand for these products. (4) They have fairly good economic results, and can provide regular accumulations for the development of the enterprises. (5) They have fairly strong contacts among the related units involved throughout the production and can spur on development of other industries in these areas.

If these dominant industries are undertaken as focal points of development, by developing the spreading effects through technological transformation and by attracting national investment funds to gradually

broaden production scale, local production investment funds can be used to arrange general projects of related industries and local base and assembly facilities. Then, through development of the processing and third level industry, the key production elements and economic results of the large enterprises can be brought into the regional economic system, thus, creating a local economic region that relies on the large enterprises and an industrial chain that is dominated by the exploitation and utilization of certain kinds of natural resources. Furthermore, fairly good economic results from increased value through processing can hasten the joint development of large and medium size enterprises and the local economy.

### **2. Develop Interrelated Industries, Broaden the Spreading Function of Dominant Industries**

Interrelated industries are the departments or industries which have connections throughout production with a certain dominant industry. Their characteristics are: (1) small investment, quick results, quick turnover speed of funds, and high economic results; (2) variety in industry fields; wide employment scale, and large accommodation of the labor force at many different levels; and (3) they are beneficial for rapid collection of funds, and they heighten accumulations and expand capabilities.

Based on the actual situation as it exists in the undeveloped areas of our nation, the focal point for investment in the near future is to do good work on the 42,000 medium and small enterprises. Because these enterprises supply the large enterprise with raw materials and in return consume their products, they are horizontal partners with the large enterprises in specialized cooperation. These medium and small enterprises have a certain balancing effect by making corresponding changes when the dominant industry comes across the negative influences of irregular change so as to maintain stable development in the regional economy. Also, local government funding can support them because they are small-scale, they have flexible management and they require fairly light funding to effect technological transformation. In particular, the limits of authority in matters pertaining to production, supply, sales and management for these enterprises rest within the local administrative departments and taxes they pay go into the local government coffers. Government at all levels is enthusiastic about these enterprises, and this creates favorable conditions whereby these enterprises can be run successfully.

As for the lack of funds but ample supply of labor in the undeveloped areas, we should actively develop interrelated industries and create all sorts of working locations in agricultural villages or small towns. This would be beneficial in providing work opportunities for our idle peasant population; their idleness is at present our greater limiting factor. As the English economist Schumacher said, "The need for an opportunity to be industrious is the greatest need of all. Little work or little profit is better than no work." Then, this can free the backward

areas, especially the agricultural villages, from poverty and bring them to a state of prosperity. For precisely this reason, it is of greater significance that the regional economic organism has fairly clear benefits and organized cooperation established through interrelated industries.

### 3. Expand Intermediate Technology, Strengthen Mergers of Regional Economies

Looked at from the regular patterns of economic development, changes in the technological structure result in the industrial structure. The two are of the same nature. Considering the situation of strongly contrasting dual economic structure in our nation's undeveloped areas and poor overall conditions, if we simply stress the use of advanced technology, the demands on society and on labor would be fairly high. The present financial situation of our nation has led to the decision that, within a certain period, it is not feasible to make fairly large investments in the undeveloped areas. So, in order to free the greater portion of our labor force from the original vicious circle of the technology structure and make the new economic pattern truly bring out the production potential of the labor force, we should establish an appropriate technology structure based on intermediate technology while we are making adjustments in the industrial structure. "This intermediate technology makes for a much higher rate of productivity than indigenous technology (which is often in a state of disrepair.) Intermediate technology is also a lot less expensive than the ingenious advanced technology of modern industry which soaks up large amounts of capital. Investment along these lines will enable us to build many work locations in short periods of time." Employment of intermediate technology has the following outstanding features: (1) it can be adapted to fairly simple operating environments; (2) the equipment is simple, and is easy to operate and maintain; (3) it has minimal dependence on raw materials of high purity or precise specifications and it adapts strongly to fluctuations in the market; (4) operation training is fairly easy to do as is production organization and management; and (5) costs are low, which makes it convenient to use for a variety of jobs; it doesn't require exceptionally large capital investments.

Our nation's undeveloped areas can adopt the following measures to get to the required intermediate technology:

1. Alter and adjust the advance technology of large enterprises whenever they engage in technology transformations. This will satisfy the requirement of "adequacy". Develop cooperation and contacts among enterprises and between enterprises and the various local economic units. Organize horizontal networks for the merging of our communicating about productive forces so as to make for an organic integration of the superior technology, management and funds of the large enterprises with the superior natural resources and manpower of the local region. This will certainly provide for fairly agreeable combined benefits in the regional economy.

2. Use advanced technology to transform the existing traditional technology of interrelated industries and improve the equipment and technology of local enterprises. Meld this into the work of dominant industries and, through the spreading of intermediate technology, enlarge the open range of the "development center". Proceed on to cooperative development of the economy and society of the region.

We need to clearly understand that the idea of using intermediate technology is not simply to "step back" into outdated methods. "Developing intermediate technology implies a genuine step forward into new territories. In this new territory we have avoided highly expensive and complex production methods which result from trying to save labor and eliminate work. Also, we have made the technology fit society which has an excess of labor." This is well suited to the technology pattern whereby our nation is guided by advanced technology, is supported in the main by suitable technology, and is assisted by traditional technology.

13072

### Retail Market Status, Forecasting

40060400 Beijing JINGJI CANKAO in Chinese  
25 May 88 p 4

[National Bureau of Statistics, Department of Trade Pricing: "Current Situation and Forecast of the Equilibrium Between Supply and Demand of Domestic Retail Markets"]

[Text] *An analysis made by the National Bureau of Statistics has found the 1988 quantity of market demand still exceeding the quantity of merchandise that can be supplied. They forecast that the 1988 monetary income of urban and rural residents will increase by more than 120 billion yuan over the 1987 figure. The merchandise purchasing power will increase by more than 16 percent. But the retail supplies of merchandise will at most increase by about 15 percent over last year's amount.*

### The Market Purchasing Power Continues To Be Greater Than the Supply of Goods

In 1987, on the foundation of increased industrial and agricultural production, the flow of commodities continued to expand. The supply of retail goods created in that year reached 610.1 billion yuan, an increase of 80.1 billion yuan over the year before. This was a 15.1 percent increase, or 7.3 percent if inflation is factored out.

The merchandise purchasing power created in that year was 684.5 billion yuan, an increase of 111 billion yuan over the year before, or a 19.4 percent increase. This greatly outstripped the speed of increase of the actual supply of goods.



In 1987, if the merchandise purchasing power created that year is compared with the supply of retail goods created that year, then the purchasing power exceeded the supply by 74.4 billion yuan, or exceeded it by 12.2 percent. If the inflation factor of the supply of goods is taken out, then it exceeded it by an extent of as much as 20.4 percent. This is a clear reflection of the contradiction between supply and demand, and the fluctuation of prices, in the retail market.

**The Basic Reasons for the Intensification of the Condition of Disequilibrium of Supply and Demand in the Retail Market**

The preliminary analysis is as follows:

1) The extra monetary income staff and workers earned outside of their basic salaries has increased at an excessive speed. From 1987, looking at the composition of the total salary of the workers in publicly owned work units, hourly wages, piece rate wages, and other basic wages account for 64 percent. Bonuses, subsidies, overtime wages, etc., account for 36 percent. Among these, the item of bonuses has increased 30.2 percent over last year. Thus, far surpassing the extent of the increase in the supply of retail goods.

2) The speed of increase in the income from sale of the peasants' products and physical labor has surpassed the speed of increase in the production of manufactured goods. In 1987, due to the further development of the agricultural merchandise economy, the income that the peasants earned through the sale of agricultural and other farm products and through engaging in construction, transportation, industry, commerce, catering trades, and service trades, has reached 299.5 billion yuan. This is an increase of 48.9 billion yuan over last year, or a 19.5 percent increase. A large part of the income that the peasants have increased is used to increase the purchase of manufactured goods. But the total value of production of light industrial products for 1987 only increased 15.1 percent over the year before. This is not suitable for the needs which have been enhanced by the purchasing power of the peasants.

3) The self-employed laborers in cities and villages have continued to increase, and net income has continued to increase by big margins. This had caused a steep rise in demand. The monetary net income that the city and village self-employed laborers have earned through engaging in all kinds of enterprise activities, after deducting cost and all kinds of expenses from their income, is 15.5 billion yuan. An increase of 3.5 billion yuan over the last year, or a 29.2 percent increase.

4) Parts of the supply of agricultural products is insufficient, and the quality of some manufactured goods is inferior while their price is high. So the goods are not to people's liking and are overstocked in warehouses. This is an important factor in creating an imbalance between market supply and demand.

**The 1988 Total Amount of Market Demand Will Still Surpass the Total Supply of Merchandise**

According to the actual situation of supply and demand created in 1987 and the related government policies that have recently been stipulated, the prediction for 1988 is that the monetary income of urban and rural residents will be over 120 billion yuan more than 1987. Deducting from this the part due to the increases in expenditures on services, the merchandise purchasing power will increase by over 110 billion yuan, a 16 percent increase. If industrial and agricultural production can succeed according to the government plan, then the retail supply of merchandise at most will increase by more than 90 billion yuan over the 1987 level, or about a 15 percent increase. In that year, comparing the merchandise purchasing power and the retail supply of merchandise, the former was still greater by more than 90 billion yuan. In order to alleviate the contradiction between supply and demand, and reduce the difference between supply and demand, the vigorous promotion of the following kinds of work has been proposed:

1) We must strictly control the reckless issuing of many kinds of subsidies by enterprises and institutions to their staff and workers. At present, some work unit leaders, especially those of work units that engage in products that they have a monopoly in, recklessly issue to workers a part of the superprofits they have earned through different means. Towards this we need to adopt effective measures to increase supervision. As for the capital funds of each work unit, the banks should, except for ready case reserves given out to provide wages, use the rest in carrying out the transfer of capital through transferring the accounts by cheques only. Towards the labor pay used by some work units in striving to hire full-pay retirement and other retired workers and in attracting workers already on the job somewhere else to take up a second job with them, reasonable criterion should be formulated in order to surmount the present chaotic state of affairs. Towards the monetary income of the individual enterprise or private enterprise personnel, we must carry out the supervision of the channels for buying merchandise, of tax revenues, of commerce activities, and of price. This is to control illegal income.

2) We should propagate the benefits, both to one's country and to one's self, of reasonable and moderate consumption. At present, the level of our country's productive forces and the level of our inhabitant's income are, in general, still relatively low. The composition of consumption is not rational, and consumption needs to be properly guided.

3) We must adopt strong measures to control the great extent of the increase in the buying power of certain organizations. In the last few years, the increase in organizational buying power has had reasonable factors, but quite a good part of the increase has been unreasonable. Among these there has been some work units using

public funds to buy goods with which to reward employees, and to entertain guests and to give as presents. These activities have been repeatedly prohibited and yet still go on. Also, there are additions made outside the basic budget of funds used for fixing and constructing buildings, and for purchasing large quantities of expensive equipment. This has caused organizational purchasing power to become greatly inflated. Therefore, an important way to control the great extent of the increase in organizational buying power is to tighten supervision of funds that are outside of the budget.

4) We must increase the interest rates on citizen's savings deposits and the purchases of all kinds of bonds, to induce the urban and rural residents to increase purchases of all types of bonds. This is to delay the influence of merchandise purchasing power, and alleviate the contradiction between market supply and demand.

5) We must quicken the pace of housing reform by carrying out the "merchandising" of housing, and develop methods of selling new houses through the installment plan and the selling of old houses through fair evaluation of them in terms of money. This is to successfully absorb a part of the merchandise purchasing power.

13418

**Legislation, Land Use System Reforms**  
40060422 Shanghai SHANGHAI JINGJI  
[SHANGHAI'S ECONOMY] in Chinese  
30 May 88 p 53

[Article by Gong Jiemin 7895 0094 3046 and Zhang Zhongjun 1728 1813 6511 of the Shanghai Chinese Communist Village Work Committee: "Reform of the Land Use System and Legislative Exploration Thereof"]

[Text]

I

On 12 April 1988, at the First Session of the Seventh National People's Congress, an amendment to the state constitution was passed. Article 1, Section 4 of the Constitution which read, "No organization or individual may illegally transfer possession of land through seizure, sale, rental or other fashion," was modified to read, "No organization or individual may illegally transfer possession of land through seizure, sale, rental or other fashion. The right to use land may be transferred in accordance with legal provisions," as shown in Article 2 of the Amendment.

The system of legal transfer of land use rights is a major breakthrough in the construction of the land system, it is a experiential summation and distillation of land system reforms which have been put into practice in recent years, and it is also a guarantee of further deepening of reforms. Since the 3d Plenary Session of the Eleventh

Party Central Committee, the state has progressively given its approval, through policy statute, law and regulation, to six primary manners of land use with compensation. These six manners are:

(1) The party contracting for the land submits accumulation funds, public welfare funds, labor investment, etc. to the party offering the contract. This is a form of land use with compensation in a contract linked to production.

(2) Those taking over or using land pay compensation, settlement allowed or relocation costs; they also pay cultivated land occupation tax, etc. This is a form of land use with compensation carried out in non-agricultural land use.

(3) Collect rent and land rent in the manner for land transfer with compensation. This is a form of land use with compensation carried out in new and developing industries such as the storage and real estate industries.

(4) Carry out merchandised management and collect land development compensation for city and town land that has undergone development construction. This is a form of land use with compensation applied in construction of the unified plans for cities and towns.

(5) Evaluate the site use rights for investment or collect site use fees. This is a form of land use with compensation carried out in joint ventures.

(6) Become a shareholder in joint management through land takeover compensation or site investment, or make land use rights a condition of joint management. This is a form of land use with compensation carried out in domestic horizontal economic integration.

II

In the reform of the land use system, many new problems and contradictions which have emerged and will emerge, urgently need to be adjusted, standardized and systematized in a legal manner.

First, the pertinent laws and regulations should be explicit on the principles of land use rights with compensation, consistent with the revised constitution. "Land rent is an economic accomplishment in land ownership, which is a form of value appreciation." For a long time, land owners have used land without compensation and in actuality have denied socialist land ownership of the whole people and the collective, which has led to meager results within limited periods in land use. Since rights of land ownership, land use and management can be independent as clearly specified in our statutory laws and regulations, it is important that legislative work apply land value, rent, tax and other economic levers to adjust the new economic relations in land and specify them through legal forms. Our existing laws in dealing with land use with compensation are the products of reforms,



liberalization and vitalization over the last few years. Our nation, at present, still lacks unified and explicit legal standards as regards land use with compensation such as the nature and form of land use with compensation, the procedures for establishment, modification or termination of each form, standards fixed for land use fees, the collection and use of costs, reduction and avoidance of costs, land use contracts, corresponding issues in the land management system, and so on. All of these need to be defined through legislation. Legislation should explicitly state that, provided the land is used by a non-land owner, whether it be a state-run unit, a collective unit or an individual, this entity, in accordance with the law, must pay use fees (land rent) to the land owner—the state or a village collective economic organization. Of course, under the principles of use with compensation, certain special situations may warrant avoidance or reduction of land use fees, such as construction land use by a city government for public service and social welfare or contracted management land use for an agricultural industry with low economic results in certain villages.

Second, the legal relations in merchandised management applied in non-agricultural land use should be clarified. Land, as a kind of productive force, will certainly display its commodity attributes in a society with planned commodity economy. Provided land enters the market of productive forces and participates in circulation and exchange, it can spur on better combination of the productive forces and can promote development of the socialist commodity economy. As for state-owned non-agricultural land, we should implement merchandised management and collect land rent for the use of the state. As for legislatively ratified non-agricultural land use of village collectives, we should also implement merchandised management. This not only can promote the development of township enterprises and tertiary industry, but also can heighten the financial strength of village collective economic organizations. If we are to implement merchandised management on village land, then, above all, we must eradicate the traditional notions that "the economy of the village is an agricultural economy" and "village land amounts to agricultural land." Currently, we must quicken the pace of land merchandised management in economically liberalized economies and must hasten the establishment and cultivation of the land markets. Socialist land markets should be unified, not divided. They should be competitive, not monopolized. They should be opened up, not sealed off. Thus, legislation should clearly recognize the mechanism of competition and the principle of liberalization. We must be explicit about the subjects of the land market, and permit the state and village collective economic organizations which are regarded as land owners, as well as other organizations and individuals which act as land managers and users (including foreign enterprises and individuals), to enter the land market and create relations based on land use rights. In addition, we must also

clearly specify the various forms of land merchandised management, and permit merchandised management to be carried out by buying shares in land use rights or by leasing, etc.

Third, the various legal relations in contracted management as applied to agricultural land use should be clarified. Because our pricing system is still not agreeable, the prices of agricultural by-products are clearly below value, and the economic results in agriculture are much lower than those of other industries. Administrative and legal measures must still be used to stabilize agriculture. So, we must adopt contracted management for agricultural land, including vegetable plots, yards, fish pounds and other agricultural land. After the rise of the link-planned output with contract, there emerged the "five structures"—collective land ownership; agricultural household management rights; joint use rights in combined households and new integrated bodies; land use rights in the nature of assets involving joint-management enterprises and joint ventures; and administration rights of the state (land administration organs). At the same time, this produced contradictions between ownership rights, managerial use rights, and administration rights. Therefore, we must quickly enact legislation, to adjust the various relations so as to promote a better combining of the agricultural productive forces and improve agricultural productivity. Above all, we must be explicit about the relations involved in the circulation of agricultural land managerial use rights. At present, the flow of agricultural land is extremely limited and it is difficult to carry out relative concentration in land management. In order to alter the dispersion of agricultural land and the structure of small scale management, it is necessary to cause land to flow in circulation like other productive forces (capital and technology) and to concentrate land among those who are good at farming so as to bring about a better combining of agricultural productive forces and increase the scale of economic results from land. Legislation must clearly recognize the market and competition mechanisms so as to promote a reasonable flow of land, by using land rent, land price and other levers, or through competitive means such as bidding. Bidders (contractors) can be collective agricultural households and combined households in the village where the land is located, and can also be combined households, new economically integrated bodies, agricultural households, peasants and other individuals from other areas. Legislation should also approve of the other original forms of circulation such as subcontracts between peasants and adjustment of the collective. Of course, as for the areas where economic results of agricultural industry are obviously lower than those of other industries, legislation should provide more flexible provisions such as reduction or avoidance of land rent, lightening other obligations of the contractor, and increasing the obligations of the owner. In addition, we must clarify the relations pertinent to land management and supervision between the land owners and managers under contract. We should clearly specify in contracts the authority of the land owners regarding the various

kinds of land management and supervision. Furthermore, we must be clear about the connotations of collective land ownership and its relations with state administrative rights. The law has never clearly defined what is meant by collective and ownership. However, we can see from existing land laws and regulations that collective land ownership is not ownership as it is generally understood, but is an extremely incomplete and limited kind of ownership. Not only does it not carry with it complete use rights (there is only the right to use the land for agricultural production; if other types of production are sought to be engaged in, they must be applied for and approved), but more importantly, collective land ownership does not contain rights of action which lie at the core of ownership. Land management and rights of action lie with the state (the land administrative departments.) This has led to a contradiction between collective ownership and the state right to manage and maintain actions, which certainly will lead to incomplete economic accomplishments in collective ownership and relaxed land construction and management. Thus, we also must make further legislative adjustments in the relations between the rights of collective ownership and state management.

### III

After amendment of the pertinent constitutional provisions, it is of utmost importance that we pay close attention to the complementary legislative work. Below we offer our humble opinions on land use system legislation and the corresponding body of land laws:

(1) Based on the constitution, correspondingly amend the land management laws and quickly formulate detailed regulations for implementation of the land management laws. The revised constitution explicitly states that land use rights may be transferred in accordance with the regulations. This stipulation preserves our nation's socialist public ownership system for land and suits the needs of reforms, liberalization and vitalization of our commodity economy. To fit in with this, we must revise the "People's Republic of China Land Management Laws", and at the same time, we must hasten formulation of "Detailed Regulations for Implementation of the Land Management Laws of the People's Republic of China." In these land statutes, laws and regulations, we should clearly recognize the results of reform in the land use system and also point out directions and provide guarantees for further reforms. In light of this, we propose the addition of the following items: 1) Clearly recognize and implement principles of land use with compensation. 2) Permit legislatively approved non-agricultural use of state-owned land and village collective land to carry out merchandised management and clearly recognize the various forms of management. 3) Stipulate the legal procedures for land use under merchandised management. 4) Stipulate that non-land owners who use state-owned or village collective land should pay land use fees (rent) to the state or the village collective organization which is regarded as the owner.

We must clearly formulate principles pertinent to land use fee standards, based on Marxist rent theory and differential rent theory, to synthesize such conditions as the geographical location of the land, value grade, and its use. We should authorize the local governments to lay down fee standards according to the actual local conditions. 5) Stipulate in principle how land use fees will be used. We should make clear that land use fees collected by the government should be used for reclamation and development of land and for construction of public facilities in the cities and towns. Fees collected by the village collective economic organizations should be primarily used in agricultural production (opening up farmland and improving existing farmland, etc.) and development of township enterprises and tertiary industry. 6) Stipulate the various taxes that will be levied by the state on land merchandised management. 7) Stipulate that the land use and administrative relations will be clearly specified in contracts. The contract should include such items as the location of the land, the area, the use to which it shall be put, the time period, earnest money, total cost, the term of payment, duties and obligations, and penalties.

In addition, Article 36 of "The Land Management Laws of the People's Republic of China" stipulates that, if integrated people's enterprises, city collective enterprises or joint management enterprises which are jointly funded and run by agricultural collective economic organizations need to use collectively owned land, after obtaining approval they "may requisition the land in accordance with the national construction land requisition regulations, and may treat the land use rights as a condition of joint management through agreement with agricultural collective economic organizations." Because the meaning of "treating land use rights as a condition of joint management" isn't clear, and the legislative departments concerned have never explained it, not only has there been endless debate in theoretical circles, but it has also led to contradictions in the practice of joint management. Thus, we propose the provision be revised to read, "land used after approval may be requisitioned in accordance with the national construction land requisition regulations, and the land use rights can be converted into monetary funds through agricultural collective economic organizations."

(2) Perfect the village land system and formulate rules for contracted management in agricultural land use. The legal forms and legal protections pertinent to the separation of collective ownership and peasant use rights in village land should be definite and concrete. The legal forms and legal protections in land transfers with compensation should be standardized. The rules for contracting and subcontracting should be laid out as early as possible. At present, we should first formulate rules for contracted management in agricultural land use. These rules would be the legal standards for adjustment of the various societal relations that will develop in contracted management in agricultural land use. They should include: 1) the concrete subject, content and scope of

collective land ownership; 2) the subject, concrete contents and legal form of rights under contracted management; 3) the contracted management agreement; 4) legal procedures for establishment, modification and termination of contracted management relations; 5) management and supervisory rights of owners with respect to land under contracted management; 6) the administration of contracted management by state organs and their obligations; and 7) the legal protections and procedures in contracted management relations.

(3) Formulate concrete methods of land transfer in the liberalized coastal regions. Liberalizing land markets is an important aspect of improving the investment environment. In 1987 the state approved the official testing of land use with compensation in Shanghai, Tianjin, Shenzhen, Guangzhou, and on Hainan Island, and succeeding put forth methods for land transfer with compensation, bringing the land market into the orbit of the legal system. However, there remain many concrete problems which require further resolution. For land use in industrial areas invested in and developed by foreign firms, we must exercise our national sovereignty and carry out domestic laws, but we also must formulate principled and flexible methods for real estate management according to international practice and management methods for international export processing areas. Land development, real estate management, land banks, real estate notaries, real estate law offices and other such items related to the liberalization of the land market in the liberalized coastal regions all await exploration through practice so as to establish a complementary system of land laws.

13072

#### **Sichuan Reports Success in Controlling Capital Construction**

40060387a Chengdu SICHUAN RIBAO in Chinese  
24 May 88 p 1

[Text] Since the beginning of this year, Sichuan has effectively controlled capital construction investment and concentrated its forces so as to ensure the success of key construction projects. From January through April, a total of 1.2 billion yuan was invested throughout the province, a rise of 8.7 percent over the same period last year, which rate is lower than the 13.1 percent registered in the same period a year ago and the national average this year. The number of projects was also reduced from the figure a year ago, with new projects registering a decline of 309. And investment in out-of-plan and nonproductive projects fell by 23.9 and 17.3 percent, respectively.

This year, Sichuan has strengthened plan management and strictly controlled capital construction, emphasizing that capital construction levels must not exceed limits set forth in the general budget estimate and in designs; that no unauthorized increases in the number of projects or volume of construction work will be permitted; that no

out-of-plan projects will be tolerated; that capital construction standards must be raised; and that, in principle, no new projects shall be initiated. The province has also conscientiously cut back on and strengthened control over budgeted project allocations and loans, so that from January through April these two outlays together declined by 27.5 percent from the same period last year. While controlling aggregate capital construction volume, the province stepped up energy development, completing 373 million yuan in investment in this area so far this year, a rise of 36.9 percent over the same period last year, and increasing the share of such projects in total capital construction investment from last year's 24.5 percent to 31.1 percent. Especially noteworthy is the fact that investment in electric power development increased by 49.4 percent.

12431

#### **SMALL-SCALE ENTERPRISES**

##### **Guangdong Steps Up Efforts To Attract Foreign Investors**

40060370b Beijing ZHONGGUO XIANGZHENQIYE  
BAO in Chinese 11 May 88 p 1

[Article by reporter Tan Guangdong 6009 0342 2435: "Prepare the Proper Environment To Attract Crowds of Foreign Merchants: Guangdong's Coastal Development Strategy Is Spreading Like Wildfire—In the First Quarter Alone, Guangdong Has Added 3 Million Square Meters of Factory Buildings in the Industrial Processing Zone, Procured More Than 560 Million Yuan's Worth of Export Products, and Earned More than \$50 Million in Processing Fees."]

[Text] The development of an externally-oriented economy among Guangdong's township enterprises is gaining extraordinary momentum. Based on incomplete data, during the first quarter of this year alone, township enterprises throughout the province have constructed 3 million square meters of standard factory buildings in the export-oriented processing zones, produced in excess of \$560 million yuan's worth of export goods, and earned \$55.44 million in processing fees. At present, there are 14,400 enterprises participating in export and foreign trade, the "three forms of processing, and compensation trade," joint ventures, and cooperative ventures, and more than a million workers are employed in the production of export products.

This year, Guangdong's various township enterprise managing departments and enterprises have developed greater consciousness and stronger sense of urgency about the development of the externally-oriented economy, and they have never been more enthusiastic. To implement properly the strategy to develop the coastal areas, the localities have put in extra efforts to improve the tangible and intangible conditions, and have "prepared the nest" to attract foreign merchants to invest and set up plants in the province. Cities like Guangzhou,



Shaoguan, Zhanjiang, Maoming, Shantou, and counties like Luoding, Suixi, and Fanyu have all promulgated policies and measures, based on local conditions, to extend special concessions to foreign businesses. Jiangmen City has granted "special favors, lenient measures, low taxation, and simplified procedure" to export-oriented enterprises to attract crowds of foreign merchants. Many townships are so busy they are overwhelmed. In the past, vacant factory buildings awaited occupants. Today, there is simply no vacancy, and people have to wait for new factory buildings to be constructed. In order to ease the shortage of factory buildings, many localities, while trying to keep all, or most, of the farmlands intact, have rushed to build standardized factory buildings and set up industrial processing zones, industrial zones, and development zones.

Dongwan City, which has well established "three forms of processing, and compensated trades," is aiming for even greater development. The city's Dalingshan Township has entered into a cooperative effort with merchants from Hong Kong, and has invested more than HK\$300 million to build, in 3 stages, an industrial processing complex which can hold 20,000 factory buildings. The city has also planned to develop another 1.5 million square meters of factory buildings this year. This will give the externally-oriented and processing industries a tremendous boost. At present, the development of Guangdong's externally-oriented economy is spreading northward from the south, and from the interior toward the flanks. Not only has the development of the Pearl River Delta gained momentum, but other coastal regions and many mountain areas and counties have also been energized.

With the vigorous support of the foreign trade ministries, up to the end of last year, township enterprises throughout the province have set up more than 1,300 export production bases, and more than 136 of these bases have earned over \$1 million in foreign exchange, 46 percent of all such bases in the country. This year, we expect to see new developments.

12986

**Deputy Mayor Asserts Township Enterprises Must Adjust to New Reform Conditions**  
4006037a Beijing ZHONGGUO XIANGZHENQIYE  
BAO in Chinese 18 May 88 p 3

[Article by Zhi Biaozhi 2784 2871 1807, Deputy Mayor of Zhanjiang City: "Township Enterprises in Coastal Regions Must Undergo the 'Three Transformations' To Suit New Reform Conditions"]

[Text] In recent years, as the reforms become more thorough, the coastal regions have further opened up to the outside world and enlivened the village and township economies. Amid the wave of reforms and opening up,

township enterprises too have developed at an extraordinary pace. Yet, many of Zhanjiang's township enterprises were set up under the influence of the pre-1970's extreme leftist line which advocated the principle of "utilizing local materials, processing the materials locally, and marketing the products locally." These township enterprises operated with little funds, backward technologies, obsolete equipment, and limited scope of business, and could not serve the needs of the development of reform and opening up to the outside world. Practice has taught us to abandon the traditional concept of setting up enterprises based on the "three local" principle and turn to the "three multi-locality" format instead:

1. Instead of using only local materials, we gather materials from different localities.

Prior to the Third Plenum of the 11th Party Central Committee, because we had insisted on "using local materials" to establish township enterprises, we had limited ourselves and made it difficult to integrate a locality's material resources (raw and processed materials,) funds (financial resource,) and technologies (human resource.) Some localities managed to start up enterprises, but they either lacked funds or qualified personnel, and therefore their productive capacity was very much limited. Their products could neither meet the quantity nor the quality demands of the market, and the economic return was low. Other localities had sufficient funds and personnel, but their circulation was sluggish and their usefulness was obscured. Failing to take advantage of the material resources, these township enterprises were unable to develop their full potential. In the past, Zhanjiang City's township enterprises had complied with the principle of "using local materials," and had developed very slowly. Township enterprises in the city's 9 counties and districts earned less than 100 million yuan. In 1984, after Zhanjiang became one of the nation's 14 coastal open cities, it escaped the rigid confines of "using local raw materials," and took advantage of the policy of opening up the coastal regions to actively develop lateral economic ties, and adopted the method of "three imports": bring in funds from outside; bring in raw and processed materials from outside, and bring in qualified personnel from outside. So far they have attracted more than 570 million yuan in funds, brought in more than 120 varieties of raw and processed materials and more than 2,000 skilled personnel from more than 10 provinces and cities, including Shandong, Hebei, Guangxi, Guizhou, Henan, Shanghai, Liaoning, Beijing, and Guangzhou. They overcame their own shortcomings by taking advantage of others' strong points, and by making prompt adjustments, they have substantially developed their township enterprises. The whole township enterprise system is teeming with activities. Last year, the number of township enterprises topped 69,700; they employed more than 291,000 personnel, earned as much as 1.74 billion yuan, and yielded more than 58 million yuan in tax revenues. The number of enterprises, the total income, the tax revenues, and profits have more than quadrupled the 1983 figures.

2. Instead of doing the processing work locally, jobs are farmed out to different localities.

In the past, we have long insisted on "doing the processing works locally," using local material resources, and have set up township enterprises around the agricultural sector. Guided by this ideology, despite ample supply of raw and processed materials, many enterprises failed to take advantage of those resources because of poor technology or inadequate labor force. Other enterprises were technologically advanced and had ample labor supply, but because of regional blockades, they were short on raw materials, and were "half-starved." As a result, they were able to provide little economic or social benefits; instead, they became a burden. After the Third Plenum of the 11th Party Central Committee, we came to realize the defects of "doing processing works locally," and began to encourage enterprises to bring in raw materials from outside and ship out the surplus labor force and launch "multi-locality productions," thus opening up new prospects for the development of township enterprises. Wuchuan County's Wuchuangang Township is known as "the home of palm trees." Because numerous villages are specializing in the processing of palm-leaf products, they have run out of local raw materials. In one year, they have brought in more than 50,000 tons of raw and processed materials from other parts of the province and from around the country. In addition, they have shipped more than 1,000 surplus workers to other regions to launch productions under joint efforts. This not only ensures the "satisfaction" of local township enterprises, but also gives impetus to the development of non-local enterprises, and helps enterprises grow and generate higher economic returns. In recent years, many of Zhanjiang City's counties and districts no longer operate under the rigid confine of "local processing" and have launched multi-locality production of bricks and processing of livestock and other products, and they have opened up the local market as well as markets in other parts of the country, and have expedited the development of their township enterprises.

3. Instead of marketing goods locally, turn to multi-locality marketing.

"Marketing the products locally" is the unique characteristic of a product economy. A few years ago, some township enterprises still clung to the principle of marketing their products locally, and they had limited their own scope. Because the local markets were very small, business development was very much limited. When the local market became saturated, the products were stuck. This adversely affected all township enterprises. Xuwen County, located in the Leizhou Peninsula, has an abundance of pineapples. The annual yield comprises 10 percent of the national production. Some departments, while claiming to be preserving local industries but in fact were protecting their own interests, had adopted various measures to restrict the marketing and sales of pineapple products outside the county, and as a result, there were piles of pineapples, and every year, more than 100,000 jin

were left to rot. The productive enthusiasm of the growers was greatly dampened. The experience taught the people a lesson, and they rid themselves of the bondage of "marketing the products locally" and turn to multi-locality marketing instead. The products are now marketed anywhere they can fetch a high price. Goods no longer pile up and go to waste, and competition has become a part of the production mechanism, and the quality of the processed goods has improved. The products are marketed in eight provinces and cities, including Hunan, Heilongjiang, Shandong, and Shanghai.

The performance of a township enterprise is gauged by its profitability. Operating township enterprises under the principle of the "three locals" limits the rich natural resources, the human resource, and men's wisdom and knowledge to a very narrow scope. It suffocates the otherwise energetic township enterprises. It cannot give play to township enterprises' ability to generate maximum economic benefits. In his report delivered at the First Session of the Seventh National People's Congress, Comrade Li Peng emphatically pointed out that, "the economically advanced coastal provinces and cities must open up more areas to fully take advantage of the rich labor force and low production cost, and keep 'the two ends abroad' (that is, importing raw and processed materials from abroad, and marketing the products abroad,) and actively expand the processing and export of technology-intensive type products. We must put the emphasis on, and take advantage of, the rural labor force and the existing foundation of township enterprises along the coast, and develop export-oriented enterprises and agricultural products which earn foreign exchange." Comrade Li Peng's report clearly indicated the direction of township enterprise development. If the coastal township enterprises hope to make significant progress, they must boldly rid themselves of the extreme "leftist" line and old concepts and foster the new concept of reform and opening up to the outside world, and instead of being trapped by the "three locals," they must radically undergo the "three transformations."

12986

#### **Township Enterprises' Contribution to Reform Cited**

40060390 Beijing ZHONGGUO JINGJI TIZHI GAIGE [CHINA ECONOMIC SYSTEM REFORM] in Chinese No 5, 23 May pp 10-11

[Article by Zhang Yi 1728 3015 and Gu Dazhi 7357 1129 2535: "Township Enterprises Are Active Pioneers in China's Reform"]

[Text] China is still in the initial stage of socialism and, compared to advanced countries, its commodity economy is rather underdeveloped. Because of this, China's economic construction has a dual task: stressing the progress of traditional industrial revolution and catching up with the new technological revolution of the world.

To fulfill this historical task under China's special national condition—800 million of China's 1 billion people are farmers—an important issue is, in the final analysis, how to solve farmers' problem, namely how to release two thirds of surplus rural labor from agriculture to realize China's industrialization; how to free farmers from the self-supporting economy of 2-mu land to vigorously develop commodity production; and how to help them change from poor to rich and improve their quality with modern science and culture.

Before this rigorous and arduous task, Chinese farmers, in the pioneering and enterprising spirit and guided by the reform and open policies of the CPC Central Committee, have taken another outstanding step after the output-related agricultural contract system and found a fundamental solution to their problem, that is to develop township enterprises. Township enterprises are collective, cooperative, and individual enterprises run by farmers. Due to the discrimination of traditional forces against farmers and the rejection of old systems against enterprises and businesses run by farmers, township enterprises, after their founding, had to attack all old systems which hindered the growth of productive forces and commodity production in order to survive, to gain a place in China's national economy, to join socialist construction in an equal capacity, and to enjoy rights to which they are entitled. Given the above reasons, it is justified to call township enterprises the pathbreaker and active supporter of China's reform.

In the past decade, the increase in the output value of township enterprises accounted for 25 percent of the net increase in the total social output value of China, 57 percent of the net increase in the total social output value of rural areas, and 28 percent of the net increase in the total industrial output value of China. In the past decade, township enterprises accumulated over 79 billion yuan in direct taxes for the state, over 285 billion yuan in wages for farmers, and over 160 billion yuan in funds for rural collective economy. The first step of agricultural industrialization has been carried out in the Zhujiang and the Changjiang deltas where township enterprises are better developed. The rise of township enterprises has found jobs for surplus rural labor and opened up a new avenue for the industrialization of China, and it is also the only way to rejuvenate the rural economy. Some foreign friends consider China's township enterprises a "secret weapon" in the development of China's rural economy, saying that it has helped the Third World countries find a way to develop their rural economy and created a new model for the world economy.

The development of township enterprises has made positive contributions to China's reform. They can be summarized as three changes, three breakthroughs, and three promotions.

**Three changes.** The development of township enterprises has changed China's economic structure, under which rural and urban areas are separated, found a way to

combine and coordinate rural and urban development, enabled rural and urban industries to develop in tandem, and played the role of a link and bridge between rural and urban economy and between industrial and agricultural production. It has changed the unitary economic model China used for many years in the ownership system and found a road of co-existence and simultaneous development of multiple ownership systems that are more suitable for China's national conditions. It has changed the unitary economic structure rural areas had for many years and made it possible for the comprehensive development of agriculture, industry, and commerce.

**Three breakthroughs.** The development of township enterprises has broken the old system of planned economy. From the day it was born, the township enterprise began to learn how to swim and survive in the stream of the market economy. As it grew bigger and stronger, it made it harder for the centralized planned economy to guide the commodity economy, thus forcing China to seek an economic model that would integrate planned and market economy. The development of township enterprises has broken the ownership system of departmental monopoly which hindered economic development. Most of China's labor forces are in rural areas; so is the potential of developing secondary and tertiary industries. Because of this, resources should not be distributed according to ownership, nor should state resources be automatically considered as properties of state enterprises. In order to protect millions of surplus rural laborers from unemployment and depletion of resources, the development of township enterprises has broken the pattern of monopoly in the use of resources and the field of management and is seeking a way to allow simultaneous development of enterprises with different ownerships and to separate the right of ownership from that of use. The development of township enterprises has also broken the system in which human resources are owned by individual departments. The development of rural industries and commodity production requires modernized technological and managerial personnel and, in the past, farmers had the duty to send construction workers to urban areas but were seldom given the right to receive similar help in rural construction, resulting in the phenomenon in which human resources were owned by individual departments. The development of township enterprises requires active recruitment of competent people which has caused a great breakthrough in the old personnel management system in which competent people were ignored, wasted, and laid off.

**Three promotions.** The development of township enterprises has promoted agricultural modernization. Agricultural modernization requires large amounts of financial support which cannot be provided with state revenue nor by agricultural departments for their accumulated funds are barely enough to maintain simple reproduction. The development of township enterprises has provided funds



for agricultural modernization, large amounts of modernized equipment for agricultural development, and a new way to make a living for surplus labor after agricultural mechanization. The development of township enterprises has also promoted the reform of state enterprises. In the past, state enterprises could survive easily on monopoly and the practice of eating from the "same big pot," but, after the development and expansion of highly maneuverable township enterprises which became the number one rival of state enterprises, they had no other choice but carrying out reform in order to survive. The development of township enterprises has also promoted the formation of multiple circulation channels, the development of specialized rural markets, and the establishment of national capital goods markets.

China's reform will affect the nation as a whole. Township enterprises will make new contributions to China's reform.

12302

## FOREIGN TRADE, INVESTMENT

### Towards Unifying Country's Foreign Trade Statistics Systems

40060276 Beijing GUOJI MAOYI WENTI  
[INTERNATIONAL TRADE JOURNAL] in Chinese  
No 3, 30 Mar 88 pp 37-40

[Article by Jia Huaiqin 6328 2037 0530: "A Trial Discourse On Our Three Foreign Trade Statistics Systems"]

[Text] Due to particular historical circumstances, after the PRC was founded we established two parallel foreign trade statistics systems: customs statistics and foreign trade business statistics. In addition, when we work out the international balance of payments schedule using customs statistics as a foundation, we also compile statistics on revenues and expenditures for commodity imports and exports. These two statistical systems each issue statistical figures, and at times they differ greatly. This causes considerable confusion for domestic and foreign individuals engaged in foreign trade or research, and it is a subject of concern on all sides. This dual and separate existence and this variability in the data detract from macroeconomic and microeconomic management of foreign trade and development on the international market. Consequently, it is essential that we reform the existing parallel systems and establish a unified foreign trade statistics system.

In my article "Customs Statistics and Foreign Trade Business Statistics" (in GUOJI MAOYI WENTI No 5, 1986), I engaged in a comparative exposition of the two foreign trade statistics systems, contrasting their duties and qualities, statistical scopes, standard setups and specifications, procedures, and historical backgrounds. The focus of that article was to explore a plan for

unifying the foreign trade statistics systems. However, before we do so, it is necessary to understand our actual situation, because a new system cannot be established with no foundation at all.

As far as statistics on actual commodity exports and imports are concerned, the customs statistics system is situated better to gather accurate and complete statistical data than the foreign trade business statistics system can do. However, it cannot collect statistical data on other aspects of the import and export business. Under the new system, where the government is separate from enterprise and the Ministry of Foreign Economic Relations and Trade offers business guidance for all businesses engaged in exporting and importing, in addition to statistical data on actual imports and exports, the state still needs to understand the progress of other aspects of business, such as the status of agreements being signed or being fulfilled. Then, through administrative means or economic levers, it can offer businesses the necessary guidance or carry out essential intervention.

In order to obtain statistical data on all aspects of the import/export trade, we must compile statistics on business turnover rather than just relying on statistics from customs stations. The considerable limitations of the customs statistics system and the very rational methods used in the foreign trade business statistics system are two aspects of the same issue. Simply eliminating one of the statistical systems and retaining the other would not satisfy state requirements for foreign trade management, and thus is not an option.

The direction of reform in foreign trade statistics work is first to assess the experiences and inadequacies of the two parallel systems and then absorb the scientific aspects of method and theory in foreign trade statistics systems overseas. Then we will establish a unified foreign trade statistics system that will receive input from both customs and business records, and that will produce three sets of statistical figures—on real commodities in transit, trade receipts, and business turnover—to satisfy demands in all areas.

The five points listed below describe some preliminary thoughts on a general plan for reforming the foreign trade statistics system:

### I. A Scientific System of Foreign Trade Statistics Indexes

#### A. The Merchandise Trade Index

Merchandise trade is divided into merchandise exported and merchandise imported.

The statistical category called the merchandise trade index refers to merchandise that has passed through the customs barriers of the People's Republic of China.

The Merchandise Trade Index is gathered from records of customs supervision over imported and exported merchandise. This is China's basic statistical index of imported and exported merchandise, and it describes the overall scale of foreign trade in China.

Merchandise includes commercially imported or exported commodities, as well as non-commercial goods—such as a large quantity of privately donated goods.

Merchandise exported and merchandise imported can be further divided into commodities exported or imported and non-commercial goods exported or imported. The former refers to merchandise involved in business trading between residents of China on the one hand, and non-residents of China on the other hand. The latter refers to other exported or imported merchandise not included in the former category. Resident refers to Chinese and foreign citizens (excluding diplomats) who are long-term residents in China (within a customs control district). This formulation includes self-managed Chinese import and export enterprises and enterprises established in China with three sources of capital. Non-resident refers to Chinese and foreign citizens who have long resided outside our borders. This formulation includes what are commonly referred to as foreign traders, overseas Chinese traders, Hong Kong traders, and other trading organizations stationed overseas.

In official statistical data the merchandise trade index is called the value of exports and the value of imports. Together they are called the total value of exports and imports. A difference between them is called an excess of trade—a positive difference being called an excess of exports and a negative difference being called an excess of imports.

#### B. The Balance of Trade

In the international payments scale there is a sum of trade receipts, which is also divided into exports and imports. Theoretically speaking, trade receipts record changes of ownership between residents and non-residents, and merchandise trade records merchandise place changes between areas within and outside the borders of customs control districts. Right now we calculate China's trade receipts by starting with the total value of imports and exports recorded in customs statistics and deducting from that figure the sum of imports and exports not involving agreements concluded between counterparts, and any amount paid for returns of imported or exported merchandise. Total imports also must exclude shipping and insurance costs. The new system can continue to use these specifications.

Trade receipts can also be called the value of imports and exports adjusted on the balance of payments. This is distinguished from the total value of imports and exports

as gathered directly from customs records. When exports exceed imports the difference is called a positive balance; when imports exceed exports the difference is called a negative balance.

#### C. The Turnover of Commodities Imported/Exported

This set of indexes is used in examining and supervising the state's overall status with respect to the import/export plan. In addition to commodities imported and exported through China's self-managed enterprises, as in category number one, the state's computational category also includes inland turnover and overseas turnover that we can regard as fulfilling the import/export plan. This is divided into turnover of commodities imported and turnover of commodities exported.

This category of statistical indexes can also be called the value of imports/exports adjusted on turnover.

#### D. The Contract Index and the Contract Fulfillment Rate Index

This category of indexes is used to examine the status of Chinese import/export contracts concluded or fulfilled. These statistics encompass China's self-managed enterprises—their major commodity exports and the commodities they import from socialist nations—or state-designated imported and exported commodities handled by key enterprises.

The contract index is divided into export orders and import orders. Export orders are commodity transaction values stipulated in export contracts (or agreements) reached between self-managed Chinese enterprises and foreign traders, overseas Chinese traders, or Chinese trade organizations stationed overseas. Import orders are commodity transaction values stipulated in import agreements reached between China and other socialist nations.

The contract fulfillment rate index is obtained by comparing the specified general-scale turnover of commodities imported/exported with the general-scale conjoined contract index. It is divided into the current-period contract fulfillment rate and the accumulative contract fulfillment rate.

In addition to the above four index categories, we can also establish other statistical indexes as needed.

## II. The Basic Content of Foreign Trade Statistics

### A. Commodity Catalogs and Commodity Classification

The foreign trade commodities catalog is a single all-encompassing schedule of the names, units of measurement, arrangement sequence, and categorization system for imported and exported merchandise. It is the basic document used for conducting and sorting out statistical surveys. In order to ensure that foreign trade statistics

are internationally comparable, and to make allowances for business needs, we can adopt a dual-system catalog, in which the standard classification method in international foreign trade is primary and the commodities classification method in China's foreign trade businesses is supplementary. At the same time we can revise our current customs commodities catalog and foreign trade business commodities catalog and ensure that the two correspond as closely as possible and are convenient for cross-indexing.

When filling out an import/export application form, one should simultaneously fill in two kinds of catalog numbers. When the information is compiled, two sets of commodity category numbers would be issued. Those statistical figures based on the primary catalog could be used to conduct international comparisons, and those based on the supplementary catalog could be used for further processing or to analyze business turnover statistics.

Overseas turnover, inland turnover, the contract index, and so forth would be calculated based on the supplementary catalog.

#### B. Statistics on Physical Volume

Units of measurement listed in the primary catalog would be used for declaring imported and exported merchandise. Simultaneously, the list of customs declarations must be appended with the merchandise volume in units of measurement listed in the supplementary catalog (generally speaking, these two units of physical volume would be the same). The former would be used for outside release after the statistics are collected, and the latter would be useful for comparison with other indexes of business turnover.

Overseas turnover, inland turnover, and the contract index would be calculated based only on statistics for physical volume listed in the supplementary catalog.

#### C. Statistics on Magnitude of Value

Based on the magnitude of value listed on the relevant documents, merchandise exports would be calculated FOB and merchandise imports would be calculated CIF. When freight and insurance charges are deducted, if historical figures cannot be obtained these could be calculated according to a constant. At the same time, these would be recorded in renminbi and dollar units. Dollars would be converted to renminbi, and other currencies converted to dollars. All would be calculated based on the appropriately stipulated exchange and conversion rates.

Overseas turnover, inland turnover, and the contract index would be recorded in dollar units, based on the magnitude of value listed in the contract. The conversion method would be the same.

#### D. Target Trade Nations

Simultaneously, we would adopt producer nations-receiver nation standards and purchasing nation-selling nation standards. The former would be the basis for releasing official statistical figures to the outside, and the latter would be the basis for analyzing business turnover.

### III. On Statistical Channels and Methods

We would adopt a means of integrating customs statistics and business turnover statistics.

After a domestic import/export enterprise and an overseas enterprise arrive at an import/export contract, that enterprise's statistical information branch should produce statistics on export deals or import orders. Periodically, it should record these on statistical reporting forms and send them to the statistical office of the enterprise's local foreign trade administrative organ. After the latter office collects this data, it should send it to the target organization at the next higher administrative level, and so forth until it reaches the state foreign trade statistics center. If an enterprise is a branch organization of a national import/export company, it must also send the appropriate reports to the higher level organization, and, level by level, the information will be collected until the company's main office reports it to the foreign trade statistics center.

As for export deliveries and import arrivals, the interested parties should make out customs declarations forms concerning them. Customs stations in each region will deliver duplicates of customs declaration forms or tape recordings of the same information directly to the foreign trade statistics center. If the merchandise is a commodity exported or imported by one of China's self-managed enterprises, the customs station must also return a duplicate of the declaration to the management unit for the latter to use as a basis for statistics on import/export turnover.

The import/export enterprise concerned will compare import/export turnover with the corresponding contract index and analyze the status of contract fulfillment. As necessary, the statistical forms will also move up the reporting ladder until they reach the foreign trade statistics center.

The foreign trade statistics center is a conceptual term rather than the name of any state administrative organ. From a long-term perspective, we need to establish an administrative organ to serve as a centralized entity to manage foreign trade statistics. But this requires a transitional phase.



As a transitional stage, we can retain Statistical Office of the Bureau of Comprehensive Planning in the Ministry of Foreign Economic Relations and Trade and the Statistical Office of the General Administration of Customs, but direct their functions into a unified channel of foreign trade statistics. I propose that we adopt the following procedures:

1. The State Statistical Bureau can work together with the Ministry of Foreign Economic Relations and Trade and the General Administration of Customs to formulate a foreign trade statistics system;

2. The Statistical Office of the General Administration of Customs should compile duplicate customs declaration forms or the taped information from those forms as they are received from the various customs stations. Then they should prepare two sets of statistical figures:

- A. Overall merchandise trade figures, commodity import/export figures, and figures on non-commercial goods imported/exported; figures based on the primary commodity catalog and directed toward the object of producer nation-receiver nation trade, as well as other figures deemed necessary.

- B. Overall figures on China's self-managed enterprises and commodity imports and exports; figures for China's self-managed enterprises, based on the supplementary catalog and directed toward the object of purchasing nation-selling nation trade, as well as other figures deemed necessary.

3. Based on customs data and data reported by professional departments, the Statistical Office of the Bureau of Comprehensive Planning in the Ministry of Foreign Economic Relations and Trade should compile figures on import/export business turnover and gather other statistical data to be reported to the State Statistical Bureau.

4. The State Statistical Bureau should synthesize data in relevant areas and readjust the balance of trade in the international schedule of payments.

5. The Ministry of Foreign Economic Relations and Trade should draw up an annual to report statistics on import/export commodity turnover, and it should conduct a statistical analysis. The results should not be published in an official publication, but they could be supplied to be used by the domestic units concerned.

6. The General Administration of Customs should publish merchandise trade statistics and the results of its statistical analysis in a public publication.

The above suggestions address only the most fundamental issues involved in establishing a unified foreign trade statistics system. There are still many practical issues which must be examined further in the areas of statistical planning, surveying, organization, and analysis, as well

as concerning the organization of a foreign trade statistics center and other subjects. If I can raise concern in the areas concerned and among the appropriate experts over the fundamental issue of whether we should unify the foreign trade statistics system, then the goal of this article, which was to offer a few crude suggestions to stimulate the flow of other opinions, will have been achieved.

12510

**Expanding Entrepot Trade via Hong Kong**  
40060374 Beijing GUOJI MAOYI [INTERTRADE] in  
Chinese No 4, 27 Apr 88 pp 33-34

[Article by Jiang Weishi 1203 5898 1102: "Utilize Hong Kong's Advantageous Conditions To Expand the PRC's Entrepot Trade"]

[Text]

### **1. Basic Conditions and Characteristics of the PRC's Trade via Hong Kong**

Since China has implemented a policy of reform and opening up, along with the flourishing development of trade between Hong Kong and the PRC, trade through Hong Kong has increased greatly, regardless of whether one is speaking of volume of trade or amount of money. Hong Kong government statistics indicate that, in the eight year period from 1978 to 1986, the value of PRC trade passing through Hong Kong has increased sharply, by some 13-fold. The average annual increase has been 39.2 percent, and in 1986 reached 51.597 billion Hong Kong dollars. The value of the PRC's entrepot trade through Hong Kong has also continued to increase in the proportion it represents of the total PRC trade with Hong Kong, going from 1978's 34.7 percent to 63.2 percent. In 1987, the amount of PRC trade through Hong Kong showed an even more abrupt increase. In that year, the total value was 84.266 billion Hong Kong dollars, a 63.3 percent increase over 1986, and amounting to 71.8 percent of the PRC's 117.357 billion Hong Kong dollars in total exports through Hong Kong.

If we look at the PRC's commodity composition through Hong Kong, we see that the proportion of semi-finished and finished products has also increased, with those in the categories of textiles and light industrial products being the foundation. In 1986, these made up 41.7 and 23.9 percent, respectively, of the total PRC products passing through Hong Kong. These chiefly consisted of clothing, textile products and materials, kiddie cars, toys, sporting goods, luggage and miscellaneous other finished products. Next were handicraft and drawnwork products, occupying 10.7 percent; the category of tea and livestock products made up 9.4 percent; grain, oil and other foodstuffs, 6.5 percent. In the first half of 1987, clothing made up 23.7 percent of the total PRC entrepot trade through Hong Kong, while miscellaneous finished products (chiefly toys) and travel articles made up 20

percent, and spun and woven goods 18.8 percent. Beyond this, telecommunications instruments and sound equipment composed 4.3 percent.

When one examines where the products passing through Hong Kong were going, one sees that beginning from 1985, North America and Western Europe have gradually supplanted Asia as the most important market for the PRC through Hong Kong. In the first half of 1987, exports to these two areas reached 19.723 billion Hong Kong dollars, or 54 percent of all shipments through Hong Kong by China. Of these exports, the United States has in the past few years been the most important market for goods passing through Hong Kong. From 1985 through the first half of 1987, PRC products passing through Hong Kong constituted, respectively, 32.5, 36.2 and 35.5 percent. Asia is still the principal market for PRC entrepot trade through Hong Kong: in 1985 and the first half of 1986, of the PRC's entropot trade through Hong Kong the 10 largest markets were Asian nations and areas such as South Korea, Japan, Taiwan, Singapore, Indonesia and India. In addition, exports to West Germany, Canada and Australia showed a major increase in the past year.

It can be seen from the above conditions that the value of entrepot trade has increased greatly, continuing to climb in its proportion of the PRC's overall trade via Hong Kong. The exports are chiefly semi-finished and finished products, while the entrepot market has become more concentrated and moved progressively towards pluralized development, which in turn has become a principal characteristic of the PRC's entrepot trade through Hong Kong.

## **2. Motive and Significance of Making Full Use of Hong Kong To Develop the PRC's Entrepot Trade**

To begin with, due to the PRC's intensive efforts in recent years to expand its exports, the quality of products has improved steadily, adding to the continued strengthening of the Western and Hong Kong economies, so that the economies of the PRC and Hong Kong daily become more interrelated, with trade between the two expanding rapidly, so that Hong Kong is now the PRC's largest trade market and area for concentration of income. According to statistics from the Ministry for Foreign Economic Relations and Trade, PRC exports through Hong Kong totalled 9.749 billion US dollars, which constituted 28.2 percent of that year's total of 34.603 billion US dollars in exports. This was 30.6 percent of the concentrated income. If at the same time there is a strong effort to open up direct sales markets abroad and a continuing effort to bring Hong Kong fully into play as an export outlet for the PRC, it will be helpful in guaranteeing a stable source of national foreign exchange income. This will satisfy the needs of national economic construction and the peoples' livelihood.

Second, textile products constitute a very large portion of PRC exports. However, the chief textile importing nations of America and Western Europe have in general instituted a system of import quotas, which presents an obstacle to progress in expanding China's textile exports to these nations. And, for various other reasons, the Hong Kong quota far exceeds that extended to the PRC. If these products were shipped through Hong Kong, we could take advantage of Hong Kong's quota to increase the PRC's exports and achieve greater foreign exchange.

Third, taking full advantage of Hong Kong's position as a free port to develop entrepot trade can help China's export products enter those nations and areas where China still lacks formal trade relations, and therefore the means of carrying out direct trade. This can increase foreign exchange income, while at the same time, it can increase the aforementioned nations' and areas' awareness of Chinese export products, laying a foundation for opening up direct trade in the future.

Fourth, although in recent years the PRC has been striving to expand construction of ports in order to increase its transport capacity for foreign trade, it is still a long way from satisfying the requirements of developing foreign trade. Another aspect of this is that a considerable number of China's provinces and cities are just starting to get into foreign trade, but lack the capacity to sell their products directly to other areas of the world. Moreover, not only does Hong Kong have excellent port facilities, its communications and transportation are excellent, and it has extensive contacts abroad, so that market information is timely. Hong Kong has more than 35,000 businesses engaged in foreign trade, employing nearly 220,000 personnel. In addition, there are over 2,000 foreign firms which have established Hong Kong offices, with their own extensive communications channels. Using Hong Kong for entropot trade will be beneficial to China's entire position of opening up diversified foreign trade, especially as it allows Chinese products to enter the as yet undeveloped markets of Central and South America and Africa.

Fifth, in recent years Hong Kong entrepot trade has again begun to develop rapidly, becoming an important factor in the continued growth of Hong Kong's economy. The development of Hong Kong entrepot trade will serve to strengthen Hong Kong's position as a distribution center for international commodities and as a port for international trade. It is believed that if the PRC keeps Hong Kong well-supplied with goods for sale, this will benefit Hong Kong's economic stability. Also, making the best use of Hong Kong's entrepot trade can only be beneficial to the economic prosperity of Hong Kong. From the standpoint of Hong Kong's present geographic position, its natural conditions and economic situation, this kind of argument makes considerable sense. Conversely, the continued, stable development of the HK economy will aid in developing the PRC's economy and trade.

### 3. Problems Involved in Developing Hong Kong Entrepot Trade

Hong Kong is a free port for international trade, carrying out a liberalized trade policy. Goods of various nations arrive there to compete in a low priced market. So it is very easy for the sort of situation to arise where the low priced goods which the PRC exports through Hong Kong find their way into the overseas markets, and influence the normal sales of similar Chinese goods which have been exported directly into those same markets. We have learned this particular lesson before. For example, salt water mushrooms and canned mushrooms are one of the largest Chinese exports to North America, resulting in an export income of 150 million U.S. dollars annually. From 1985 through the first half of 1986, a large quantity of the PRC's low priced salt water mushrooms which had been exported to Hong Kong turned up in the North American market, striking a blow at our normal exports to that same market, and forcing us to lower their selling price. The quantity of exports and the income derived from them generally showed a major decrease. Moreover, due to the excessively low selling price, the profits of U.S. producers were affected, and one after another these producers appealed to the U.S. government to implement "anti-dumping" barriers.

Therefore, in the course of opening up entrepot trade, there must be close attention to the relationship between the handling of transport through a port and direct marketing. As for the traditional, large quantity export products, stable marketing channels have been taking shape for some time now; if in the more concentrated markets we have products which can be exported directly, then we should export directly to these markets. For example, export mushrooms and canned mushrooms to the U.S., export frozen prawns to the U.S. and Japan, etc. As for those goods against which there are unilateral import barriers (such as the other side implementing passive allocation management), we should persist in direct exports, for example in the canned mushrooms, cassava and sweet potatoes exported to the European Economic Community, the crockery and television sets exported to the United Kingdom, the wood screws exported to West Germany, etc. This course of action will help in establishing direct trade channels, progressively capturing the export market, and increasing income from exports. In order to avoid having export enterprises competing with themselves, and to increase their sales abroad, create low priced exports targeted for direct export. In addition to having export enterprises start out from national overall profits to develop their trade activities, there also needs to be direction and regulation from an industrial export chamber of commerce, which will supplement the administrative measures of the departments responsible for trade, for example in issuing export permits and allocations, export planned management, etc. But at the most basic, there still must be a total reform of the foreign trade system of organization, with a thorough revision of the system whereby "everyone in the nation bears the profits and

losses," the "iron rice bowl," which has existed for so long in China. In this way enterprises will change from the "only foreign exchange is wanted, don't count the cost," way of managing, strengthen economic accounting, and strive for the best economic benefits.

As the PRC's entrepot trade port in past historical periods, Hong Kong began to be of great, indispensable use. Now we only have to make use of Hong Kong's beneficial conditions, developing entrepot trade by seeking truth from facts while judging the hour and sizing up the situation. Hong Kong will serve as a bridge in the PRC's trade relations with the world, while still being of a great use that cannot be overlooked.

12625

### Customs Reports Increased Number of Smuggling Cases

40060312B Beijing JINGJI RIBAO in Chinese  
28 May 88 p 1

[Article by Li Zhengping 2621 3630 1627: "Customs Reports Increased Number of Smuggling Cases"]

[Text] Chinese customs, while continuously reforming its system to promote the development of an export-oriented economy, has not slackened in its customs responsibilities. This reporter learned that during the first quarter of 1988 customs agents seized more than 2200 smugglers nationwide with goods valued at about 60 million yuan. Smuggling has increased, and some smuggling activities have attracted the close attention of the customs service.

In certain industries, the value of individual smuggling cases is quite high. A factory in the city of Yanji, Jilin province, embezzled public funds intended as living allowances for the elderly, poor, and infirm, and used a forged import license to smuggle in 20,000 foreign color television sets valued at 28 million yuan. Nanyou Shenchou Commercial Service Company used false declarations and technique of hiding folds of cloth to smuggle in over 250,000 yards of cotton cloth valued at over 700,000 yuan.

Renminbi is becoming a major smuggled item. According to customs investigations, exchanging Renminbi in Hong Kong for local currency is done openly; generally the price is 77 yuan for 100 Hong Kong dollars. Some electronics stores accept renminbi at this rate as payment for home electronics, and the territory of renminbi smuggling increases every day. In Guangdong province alone, customs agents have seized 159,000 yuan in renminbi being smuggled out, 83 percent more than in the fourth quarter of last year. At the same time, owing to the large price difference between domestic and foreign video cassette recorders and to the fact that their small size makes them easy to transport in secret, VCR smuggling has grown to be a problem. On March 15, Kowloon customs seized 860 projectors being smuggled by Hong



Kong Qinxing Company. In addition, tobacco smuggled in by sea was quite a serious problem in the first quarter; Beihai Customs alone on three occasions seized a total of 3940 boxes of smuggled tobacco. A smuggling boat from Hong Kong, the Lefu, was seized on January 5 with 3000 boxes of tobacco valued at 4.5 million yuan.

The methods of using import processing materials for smuggling range from altering registration handbooks on up to forging customs officials' special seals for cancellation after verification. It has also been learned that they use invalid handbooks, steal other people's contract numbers, and even forge registration handbooks. At the same time, methods of concealing smuggled goods have become even more insidious. On February 29 the Kowloon customs arrested a Hong Kong Huatong Transportation Company driver while transporting plastic figurines processed for export; he had concealed 600,000 Hong Kong dollars inside two figurines with the intention of smuggling it out of Hong Kong.

According to customs, Hainan province, which is China's largest Special Economic Zone, plans to strengthen coordination between every provincial department engaged in the war against smuggling in order to smoothly implement a policy of greater openness.

13200

### Shanghai Bicycle Firm's Experience, Problems in Exporting

40060394 Shanghai SHANGHAI JINGJI  
[SHANGHAI'S ECONOMY] in Chinese  
No 3, 30 May 88 pp 41-43

[Article by Zhou Jin'gen 0719 6855 2704, chief of Shanghai Bicycle Plant No 3: "Phoenix Bicycles' Success and Experience in Exporting and Earning Foreign Exchange, and Problems That Urgently Require Reform"]

[Text] Our company, Shanghai Bicycle Plant No 3, is a large firm that specializes in the production of Phoenix bicycles, was established in 1958 and employs 6,300-some workers and staff. Our Phoenix bicycles come in nearly a hundred varieties, in four sizes—28 inch, 27 inch, 26 inch and small bicycles of 24 inch or less—and in five styles (regular, light-weight, heavy-weight, sport and exercise). 85 percent of these varieties are exported to various parts of the world, and 80 percent have won the National Silver Prize for Quality, ministerial and municipal quality awards or national mechanical-electrical export quality awards. For this reason, our company was selected as one of the first mechanical-electrical export-base enterprises. In the 30 years since our founding, we have accumulated 2.078 billion yuan for the nation, exported 9.683 million bicycles and earned \$419 million in foreign exchange.

In 1987, our company produced 3,000,200 bicycles and 15.94 million yuan in parts (equivalent in value to 230,000 bicycles), had a total industrial output value of 414 million yuan and taxable profits of 192 million yuan, exported 1,109,400 bicycles and earned \$45,380,300 in foreign exchange.

Our export foreign-exchange earning operations in 1987 showed the following characteristics. (1) Foreign-exchange earnings rose considerably, by a net 5,463,400 yuan, or 13.6<sup>th</sup> percent, over the previous year. (2) Export returns were excellent. Phoenix bicycles achieved the best foreign-exchange/cost ratios in the nation and the state's highest foreign exchange/cost standard. (3) We earned the highest export prices in our industry; Phoenix bicycles fetched higher export prices than any other Chinese bicycle; and Model SC-410, a multiple-gear vehicle, sold for \$8 more per unit than similar models produced in Taiwan. (4) We exported to more regions than any other domestic competitor. Phoenix bicycles are now sold in 81 countries and regions throughout the world. In 1987, we broke out of our traditional primary market, Southeast Asia, and began selling large quantities of bicycles to Europe, the United States and Canada. In June of last year, alone, we signed a contract with an American company to supply 114,000 units. (5) We developed 12 products in the 24-inch and below series, thus diversifying and improving the export line of Phoenix bicycles.

Experience tells us that to break into international markets, to "put both ends abroad," and to "import and export on a large scale," we must liberate thought, update our ideas and effect the "four adaptations," namely, adapt our operational mechanism to meet the needs associated with expanding external ties, meet international market demand through professional cooperation, respond to export competition by adjusting our product mix, and adapt to rapidly changing market demand operationally. Meanwhile, the state must work to create a good external environment and lay the groundwork for enterprises to compete on an equal footing internationally. We have learned the following lessons in our efforts to expand exports and foreign-exchange earnings.

### 1. Reforming Operational Mechanisms Is a Prerequisite for Enterprise Efforts To Develop Externally Oriented Operations

We did the following things to reform and improve our company's operational mechanism.

1. We set new objectives for company management. After establishing her roost in domestic markets, Phoenix must wing her way into world markets, participate in international competition, and strive to win world markets. To this end, strategically we strengthened awareness of the importance of international markets, and tactically we formulated the "four shifts" program, as follows. In terms of management, we called for a change

from the traditional emphasis on production to production operations, shifting our emphasis from quantity to quality; in terms of market focus, we shifted from our traditional market, Southeast Asia, to Europe, the United States, and Canada; and in terms of product mix, we shifted from "inexpensive and sturdy models" to "small, attractive, light-weight, multiple-gear units."

2. We established organs to lead export work. To ensure smooth, normal development of export work, we established an export-work leadership group in our company's main office, which group is responsible for guiding the entire company's importing and exporting, and an import-export office under our general-plan office to arrange, inspect and supervise implementation of import-export plans, product development, acquisition of raw materials and dies, coordination and matching of parts and production technology preparations, and we assigned specialists to workshops and sections to assume responsibility for export work. We also drew up a complete set of rules and regulations governing export work and, in collaboration with municipal light-industrial and foreign-trade departments, established the Joint Industrial-Foreign Trade Bicycle Import-Export Company with fraternal units. Thus our company has created a multilevel export production system.

3. We gradually established and improved a system for developing and producing new export products. First, we set up a production line especially for exports, outfitting and staffing it with equipment and skilled workers drawn from a variety of workshops. Then we upgraded and added new key equipment. Finally, we used retained foreign exchange to import advanced foreign technology and equipment designed especially for bicycle production. For example, in 1985 we imported from the FRG a multi-gun welding production line with a capacity of producing 500,000 26-inch frames a year, strengthened operator training and thus improved export-product quality.

## **II. Developing Lateral Economic Ties and Organizing Specialized and Socialized Production Provide Important Guarantees for Expansion of Exports**

Phoenix bicycles have established a good reputation on international, Hong Kong and Macao markets, all models remain hot-sellers and in short supply on domestic markets, so we urgently need to expand reproduction and, to this end, have adopted the following measures. (1) In accordance with the objective requirements of specialized, mass production, we organized specialized component and part production, thus improving labor efficiency. (2) In view of our market share and of the requirements of competition, we selectively entered into joint operations with a number of domestic enterprises, moved production of old products to other areas of the country and thus cleared space for manufacture of new products and expansion of exports and improved the foreign-exchange earnings of our exports with little or no

investment. Through diffusion of production and combination with other enterprises, the Phoenix Group now includes 33 plants in 14 provinces, municipalities and autonomous regions. The establishment of the conglomerate enabled us greatly to strengthen specialization and to expand export volume. From 1985, when we established the Phoenix Group, to 1987, our exports rose at an annual average clip of 23.6 percent, the highest rate in our history.

## **III. Steadily Developing New Products and Aggressively Readjusting Product Mix Are Important Ways To Increase Exports**

We continuously develop new products and seek growth by adapting to international market demand.

1. We transferred key technical staff and allocated special funds and equipment for the establishment of the Phoenix Bicycle Research Institute, which is responsible for development of new bicycle products. Over the past several years, our plant has developed between 6 and 12 new products a year, which products have been well received by foreign customers. Of these new products, the QE and QF 26-inch color bicycles received the Shanghai Municipal Outstanding New Product Design Award, and the BNX touring bicycle, the MTB mountain bicycle, the ATB all-terrain bicycle, the SC-410 27-in multiple-gear bicycle, and the QF-750 26-in free-color women's bicycle, all of which were developed in 1987, have become hot sellers on European, American and Canadian markets.

2. We have aggressively effected technological innovation and strived to develop and apply new technology, production techniques and materials. In the last 2 years, our company has carried out 30-some innovations and developed and employed 61 "three-new's." For example, to make our products new, light, attractive and fast, we have begun to replace steel parts, which are currently used, with parts made of aluminum alloys. As of late 1987, we had successfully developed 7 components and 84 parts made of such alloys. And to meet the tastes on European, American and Canadian markets, we began using non-gloss and semi-gloss paint and chrome electroplating techniques last year, filling in a gap in China's bicycle finishing technology.

3. We have reduced the lag time between the development and production of new products as much as possible, are now at the stage where we are developing one product while putting another into production, and are trying to expand our international market share as fast as possible. To these ends, we have drawn up a complete series of tests for new-product material supply, die development, part and accessory acquisition and other areas; effected a system granting generous awards and exacting severe penalties for performance; and have mobilized the initiative of all quarters, thereby gradually reducing the lag between new-product development and batch production and establishing the shortest lag time

recorded in our company's history in 1987: The BNX and 11 other new products took just 4 months to move from development to trial batch-production.

#### **IV. Keeping Abreast of Changes on International Markets and Adopting a Flexible Approach to Distribution Are Important Links in Expanding Export Production**

1. We established an information center, which is responsible for gathering data on trends in domestic and international bicycle markets from many directions, through many channels and as directly as possible and for strengthening market research, so as to enable our company to use the marketplace to guide production and sales.

2. We have adopted a flexible approach to distribution, try our best to satisfy customers' special needs, ensure on-time delivery and strictly honor contracts, so as to win new customers, establish a good reputation and expand foreign-exchange earnings. For example, we learned through market research that import duties on complete bicycles are 50 percent higher than on bulk shipments of segregated parts, so since 1986 we have taken the extra trouble of breaking our bicycles down and shipping them as parts contained in separate crates, which approach reduces customer costs, strengthens the competitiveness of our products on international markets, and makes customers very happy. In 1986, for example, customers in one nation added an additional 200,000 units to their original order of 80,000, earning more than \$8.5 million for our firm.

To meet the demands of different customers for different grades of products, we also accept orders for products manufactured according to customers' own specifications, allow customers to provide their own parts and packing materials or to specify their own packing methods, and employ other flexible distribution strategies. For example, a Japanese customer asked us to assemble 27-inch sport bicycles using a number of Japanese-made parts for sale abroad, and in negotiating an agreement to import our BMX, MTB, ATB and other models, an American company asked to make certain substitutions or alterations in our components and to supply some of the parts itself. We satisfied all of these requests and thereby won new customers.

As for contracts, we strive to deliver on schedule and to honor our agreements. In September 1986, one customer asked us to produce 500 QF English racers with coaster brakes for sale to Bolivia and to make delivery within 2 months. Normally, small-lot production of such special models requires longer delivery times. But to open the South American market to Phoenix bicycles, we determinedly accepted the order, overcame all difficulties, and fulfilled the contract.

Our general policy on foreign-trade operations is that we are willing to do anything, no matter how troublesome, so long as it earns more foreign exchange for the nation and does not damage China's international prestige.

#### **V. Problems in Urgent Need of Reform in Our Effort to Expand Bicycle Exports**

1. Enterprises lack the authority directly to negotiate and sign agreements with foreign companies, have no access to information on foreign bicycle markets (including price quotations and the like), are isolated and cut off from these markets, and cannot adapt to the needs associated with the development of externally oriented economy and expand bicycle exports.

2. Lack of cash foreign-exchange accounts prevents enterprises from invigorating their foreign-trade operations and from earning money that should be easy to make. For example, a commercial delegation that visited our plant in March of this year asked to buy two of our display models at domestic rates (approximately \$200 per unit), expecting to pay in cash in foreign exchange. But according to national regulations, firms that do not have cash foreign-exchange accounts cannot accept such orders, so customers have to go to state-approved stores to make their purchases or go through a lot of complicated red tape. This kind of thing also happened many times last year. In addition, foreign-exchange retention is all for show and useless, and enterprises that want to use foreign exchange to fund technological transformation or to import equipment still have to go through complicated, difficult approval procedures.

3. Foreign-exchange retention rates and export incentive policies keep changing all the time, which seriously undermines enterprise and employee enthusiasm for exporting and foreign-exchange earning. This has been especially true since the beginning of this year, when foreign-trade departments greatly reduced foreign-exchange retention rates, abolished foreign-exchange funds for import of materials and parts, and reduced rewards for exports. These developments (1) seriously affect enterprise production-development and benefit funds, (2) wipe out the wherewithal of enterprises to use imports to nurture exports, cut off one of the "two ends" we are supposed to "put abroad" (i.e. import of materials funded with foreign exchange), and impede our efforts to expand exports, and (3) reduce employee rewards even though our exports and foreign-exchange earnings increase, which makes expansion of exports unattractive for enterprises.

4. The current foreign-trade administrative system, which is riven with vertical and horizontal barriers, has caused "intercine warfare" in bicycle exports. Over the past several years, foreign-trade departments in many provinces and municipalities have, for their region's own interests or just to fulfill local foreign-trade targets, spared no expense or effort to slash the prices of



their bicycle exports, subsidizing all the resulting losses through budgetary allocations, so as to compete with Shanghai. This allows foreign companies to profit at China's expense.

Thus we earnestly hope that foreign-trade departments will advance reform, transfer more authority to lower levels, unify foreign-trade policy and improve conditions for bicycle exports.

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### **Policies To Increase Shanghai's Light Industrial Exports**

40060393 Shanghai SHANGHAI JINGJI  
[SHANGHAI'S ECONOMY] in Chinese  
No 3, 30 May 88 pp 29-32

[Article by the Research Group To Expand Shanghai's Light Industrial and Textile Exports: "Policies to Expand Exports and Foreign-Exchange Earnings of Shanghai's Second Light Industrial System"]

[Text] Long involved in exporting, Shanghai's Second Light Industrial System, has a definite impact on international markets. In 1986, 326, or 53.2 percent, of the system's 613 production enterprises were directly producing for export, and with the 34 enterprises that, through cooperation-support arrangements, were indirectly engaged in export production, the total share of export producers was 58.7 percent; 80,000-plus workers, or one-third of the system's total employment, were involved in direct export production; exports were valued at 1.89 billion yuan, 26.8 percent of the system's total output value of 7.048 billion; and the system earned \$508 million in foreign exchange from exports, equal to 16.6 percent of Shanghai's total and to more than 10 percent of the total registered by light industry nationally. Thus the system ranks among the nation's leading exporting sectors, and it is essential for our efforts to vitalize China's light industry and to accelerate the nation's modernization that we emphasize the development of Shanghai's Second Light Industrial System and strive to expand its exports and foreign-exchange earnings.

#### **I. Vigorously Stress Shift of Domestically Marketed Goods Into Exports and Emphasize Improvement of Quality and Product Upgrading**

First of all, we should give up some of our production for domestic markets and shift domestic-market goods into exports. Under present conditions, this approach promises to be the fastest, most feasible way of expanding exports, and Shanghai's Second Light Industrial System enjoys great potential in this area. For instance, although the system's output value and sales volume totaled 7.049 and 5.924 billion yuan, respectively, in 1986, export value stood at only 1.89 billion yuan, or 26.8 percent of total output value. And the 14 major products that account for more than one-half of the system's export

value registered a total output value of 2.11 billion yuan in 1985 but only 450 million in export value, just 21 percent of total output. In both production technique and quality, the system's goods are excellent and require little additional processing to join the ranks of export products. Take leather shoes, for example. Throughout the system, 18 firms manufacture such goods, but only 8 produce directly for export. In 1986, the system produced 17 million pairs but exported only 4 million, a rate of only 25 percent. Shoes that are marketed domestically are hot items; more than 90 percent of all men's, women's and walking shoes are famous, high-quality stars; and 80 percent of all children's shoes are so ranked. Shifting domestically marketed shoes into exports would require no fundamental production changeovers, expansion of plant space or additional labor, yet would greatly increase exports.

Next, we should recognize that shifting domestically marketed goods into exports and giving up production for domestic markets must be effected gradually and that this approach ultimately will serve only to increase the quantity of exports and is of limited potential in Shanghai, where plant space is crowded and raw materials and labor are in short supply. For the long term, as we shift domestically marketed goods into exports, we must also shift our focus to improvement of quality, expansion of product variety, product upgrading and increasing value added. Here there is much potential. The vast majority of the Second Light Industrial System's products are medium or low grade, consume many materials and much labor and earn low sales prices. It is estimated that the sales prices of Shanghai products on international markets generally run about 30 percent lower than those of similar foreign goods, even lower if one compares Shanghai products with higher-grade foreign counterparts. For example, a pair of Chinese-made men's leather shoes sell for \$24.99 in the United States, whereas Italian counterparts go for \$100-150. And Chinese toy bunnies fetch just 5 Deutsche marks in the FRG, whereas a famous German competitor goes for as much as 76 Deutsche marks. So if we can raise the sales prices of our goods to the average levels enjoyed by foreign counterparts, we can increase our foreign-exchange earnings by more than \$100 million a year. And the potential earnings increase is even greater if we can upgrade our products.

Third, to expand exports, we should fully tap the potential of district enterprises in urban areas and township enterprises in suburban areas. Although these firms are small and have simple equipment, they can retool fast, are very adaptive and can rapidly respond to international demand for small lots of a wide variety of goods. The problem here is proper handling of the relationship between these firms and large collective and state enterprises. Where competitive conditions are unequal, we must prevent goods yielding poor returns from squeezing out products boasting good returns, make sure that one company does not monopolize the market and eliminate competition, and lay the groundwork to enable small

firms to compete equally, so that they can improve product quality, reduce costs and increase their competitiveness on international markets in the process.

## **II. Strengthen Linkage of Technological Transformation and Product-Mix Restructuring**

First, we must integrate technological transformation and product-mix restructuring, selectively transform and support products and enterprises that earn more foreign exchange and enjoy large markets and potential for development, and strictly eschew egalitarian fund distribution. After repeated reviews, the Second Light Industrial System chose 14 products and enterprises producing them for selective development as exports and as export producers. We must combine mature, advanced technology imported from abroad with traditional Chinese production techniques and technology so as to enable key exports to achieve greater technological and economic breakthroughs and make the products the foci of a coordinated process of technological transformation so as to obtain better overall results. Some products in the system are in decline, and production of others cannot be expanded in urban areas because such production creates serious pollution, consumes too many materials or uses too much labor. We should resolutely close down, amalgamate or transfer such production so as to free up plant space for the development of key products.

Second, technological transformation must ensure that idle advanced equipment is put to full use. Since 1981, the Second Light Industrial System has imported 7,756 sets of equipment, which are distributed among 113 plants. Of this equipment, 23 percent meets international standards of the 1980s, 74 percent is of 1970s vintage, and 3 percent is 1960s vintage. Compared to the equipment originally employed in the system, which was 1940s-1960s vintage, the new additions represent a leap forward of 20 years and have greatly reduced the technological gap between our system and international levels. Still, only 95 percent of this new equipment has been put into normal production, 5 percent still is not being fully utilized, and the rate of idled equipment is even higher in some key sectors. For example, only 230, or 67 percent, of the 343 sets of advanced equipment the shoe industry has imported since 1979 are fully operating, whereas the other 119 sets, or 33 percent, have been idled or are not being fully utilized for one reason or another. And only 31, or 58.5 percent, of the 53 sets of equipment the shoe chemical industry has imported are fully operating, the other 22, or 41.5 percent, are idle or not fully operating. The primary reasons why we have failed to make full use of imported equipment are as follows. (1) We imported only the key components of some machinery, expecting to make the accessories ourselves, but for various reasons have thus far failed to produce these accessories. (2) Imported equipment requires highly standardized materials. For example, imported shoe-upper clamps cannot be used because the heads on Chinese-made fastener pins vary in size. (3) Some equipment, like computer-controlled jacquards,

are too complex for us to operate and thus have been idled for the time being. (4) We lack large orders, and our production is predominately small lot, requires many dies, uses much labor, is uneconomical and therefore cannot fully exploit imported high-efficiency machinery. Proper resolution of these problems should be an important element of the Second Light Industrial System's technological transformation program, and we must give priority to these efforts in the areas of investment and personnel training and assignment so as to revive dead machinery as soon as possible and thereby achieve great results with little investment.

Third, we must shift the focus of technology imports to disembodied, soft technology and vigorously organize efforts to assimilate and disseminate such technology. (1) When importing hardware, we must emphasize imports of and gradually shift our focus to soft technology. Over the past several years, such technology has accounted for only 7.7 percent of the Second Light Industrial System's total imports, a state of affairs that is not conducive to successful assimilation and dissemination of advanced technology, so we must gradually raise the share of soft technology in total imports. (2) We must encourage enterprises obtaining imported technology to share know-how, on a compensated or other equal and mutually beneficial basis, to enterprises inside and outside their sectors and to design or copy new technology. (3) We must organize a corps of experts specializing in assimilation of imported technology, translation of instruction manuals, and equipment and copying design and, while this work is proceeding, gradually establish for each sector departments specializing in equipment manufacture. (4) We must fully utilize Shanghai's strong scientific and technological forces, actively coordinate our efforts with research agencies, get the latter to undertake research and development of new products, aggressively lay the groundwork for application of research results to production, and make science and technology an important channel for the development of new products.

## **III. Aggressively Utilize Foreign Capital and Vigorously Develop Foreign-Funded Enterprises and Companies Engaging in Export Processing and Compensation Trade**

Shanghai's Second Light Industrial System has only eight Chinese-foreign joint ventures, of which only four have gone into production. During 1986, these ventures earned \$3,035,300 in foreign exchange, and enterprises processing imported materials for export or engaging in compensation trade earned \$1.3 million, for a total of \$4,335,300, equal to only 0.87 percent of the system's total foreign-exchange earnings during the year. Besides insufficient ideological stress on the importance of joint ventures, export processing and compensation trade, the main reasons why Shanghai's progress in these areas has been so sluggish are as follows. (1) Foreign-trade and industrial enterprises have not aggressively pursued joint ventures with foreigners, the former because they fear

involvement in joint ventures will cause them to lose access to good fixed-point procurement factories, and the latter because they fear a different accounting system will be applied to them, under which system their export value and foreign-exchange retention will be reduced. Firms also believe export processing and compensation trade will not earn much foreign exchange at all and are unglamorous and insignificant, and foreign-trade enterprises can collect only 2 percent in commissions on and thus are not very interested in such operations. (2) Tedious red tape. To set up a joint equity venture, you have to get the approval of foreign-trade departments; supervising bureaus; the economic and planning commissions; banks; customs; commodity inspection, public security, and environmental protection bureaus; agencies in charge of water, electricity and gas; and a number of other units. One hang-up anywhere can bring everything to a halt.

To change the backward state of affairs in our program of attracting direct foreign investment and especially in export processing and compensation trade, we must make some ideological adjustments; rid ourselves of the notion that export processing and compensation trade are unsophisticated, earn little foreign exchange and are insignificant; and realize that these projects require little investment, yield quick returns, entail little risk and are suited to conditions in Shanghai's Second Light Industrial System. Guangdong's experience shows that export processing and compensation trade can advance from assembly of foreign-supplied parts, to processing of foreign-supplied materials, to processing of materials we import ourselves, and eventually to processing of Chinese-produced materials and that equipment imported for such operations can advance from unsophisticated, to medium grade, to hi-tech. This is precisely the route the "four little dragons" of Asia took to get so strong economically today, and Shanghai's Second Light Industrial System should consider adopting this approach. Second, we must make some policy adjustments, such as: (1) using the export values of export-processing and compensation-trade operations to calculate export-plan quotas, and appropriately increasing commissions so as to give foreign-trade enterprises more incentive to handle export-processing and compensation-trade projects; (2) upholding the "four-joint" operations and the "two-open" announcements and letting enterprises make direct deals with foreign businessmen so as to increase the rate of successful agreements; (3) simplifying approval procedures. For example, we might order that approval or rejection of all agreements or contracts be issued within 1 month for foreign-funded enterprises and 1 week for export-processing or compensation-trade arrangements; stipulate that, when approval is granted, all necessary formalities be properly completed within 15 days for foreign-funded enterprises and within 5 days for export-processing or compensation-trade arrangements; and have the authoritative agencies of Shanghai enforce these rules.

#### IV. Integration of Industry and Trade Unleashes Two Types of Initiative

##### 1. Bind Industry and Foreign Trade Together by Linking Their Interests

Shanghai's Second Light Industrial System has already produced a variety of forms of industry-foreign trade cooperation—such as import-export companies combining industry and foreign trade, with industry the primary partner; joint industry-trade enterprises; the practice by industrial firms of using foreign-trade corporations as agents to handle their exports; planned procurement practiced by foreign-trade departments; and the like. These forms of cooperation integrate industry and foreign trade by linking their interests to different degrees, and we should give full play to the functions of each form. In the case of joint industry-trade enterprises, foreign-trade units invest in industrial enterprises that produce for export, both sides share ownership and responsibility for profits and losses in accordance with their shares of investment, so both sides are very concerned about the marketability of the enterprises' products and about the enterprises' rate of economic returns. Experience has shown that this is the best form of cooperation between the two sectors, but the form has proved hard to develop because foreign-trade units have little money to invest. Import-export companies combining industry and foreign trade with industry the primary partner have helped to break the monopoly exercised by foreign-trade units over export operations, enabled industrial and foreign-trade units to work together on a regional basis and thus represent an important innovation. But development of this form of cooperation is dependent on further linkage of the interests of both sectors. The recent joining of a production plant and an administrative section by the Shanghai Toy Company represents a useful effort in this direction.

##### 2. Pave the Way for More Exporting Enterprises To Break Into International Markets

With the expansion of China's foreign trade and external economic relations, it is doubtful that we can generate sufficient strength by relying on a handful of foreign-trade enterprises to run everything any more, and if these firms screw up, bottlenecks may develop and hinder our effort to expand exports. Thus it is inevitable that more firms must be given authority to engage in external operations and that a myriad of forces will have to be mobilized to undertake foreign trade. Many examples show that, whenever good industrial enterprises or enterprise groups receive authority to manage their own exports, they become tigers that have sprouted wings and, with might redoubled, improve returns by integrating production and marketing, set production volume by sales, quickly adapt to competition on world markets and make new breakthroughs. For enterprises that do not yet possess the qualifications to engage in foreign trade on their own, we should provide active support and create the conditions necessary for them to enter world



markets to do battle and to toughen themselves. For example, the Guangdong Provincial Electric Fan Company could not compare with the production technique and product quality of the famous Shanghai brand, Huasheng fans, and for precisely this reason was forced out onto world markets to struggle for survival. In the midst of intense competition, the firm managed to improve its wares, seize markets and win fame and now exceeds Shanghai's output.

**3. Integration of Industry and Foreign Trade Should Be Effected on the Basis of Equality and Mutual Benefit, and an Appropriate Amount of Competition Should Be Permitted**

Good relations have arisen over the years under the system in which Shanghai's foreign-trade corporations procured export goods or undertook to export fixed quantities of goods. But to a certain degree, this practice tended to become monopolistic and exclusionary, such that production enterprises could not supply other foreign-trade corporations with goods, even if their regular buyers were not buying. And when foreign-trade corporations went to other parts of the country to develop new sources of supply, the original suppliers thought those moves were unreasonable, though they could do nothing about them. This monopolistic tendency merely serves to protect backward elements and inhibits competition that weeds out the unfit and selects the best. As restructuring of the foreign-trade administrative system advances, it is imperative that foreign-trade corporations and production enterprises assume responsibility for their own profits and losses, and this will force suppliers and buyers alike to take economic returns into account. Thus letting both sides shop around for other buyers and suppliers once their quotas have been fulfilled and giving both sides room to compete a bit will help raise product quality, reduce costs and improve foreign-trade work. But it cannot be denied that Shanghai's industrial enterprises bear heavy tax burdens, are aged and stuck with outdated equipment and thus have a difficult time in many respects holding off town and township enterprises and firms in other parts of the country that are protected by preferential policies, and in competing on an equal footing. So Shanghai's foreign-trade departments should take this problem into account, actively support industrial enterprises, and not wash their hands of the matter.

**V. Some Suggestions**

1. Shanghai must be given the authority to approve and decide imports and exports by local foreign-trade corporations, industry-trade enterprises and industrial production firms. This is necessary if we are to expand export channels and to permit more export producers directly to serve international markets. Experience shows that direct participation in international competition by export producers facilitates linkage of production and sales and strengthens producers' competitiveness in and responsiveness to international markets, which is crucial to our effort to expand exports and open new markets.

2. We should relax import and export restrictions. With the exception of a very small number of important producer goods and materials that affect national interests, commodities on which foreign governments have imposed import quotas and instances in which we must prevent cutthroat, competitive dumping and loss of national wealth—for which goods we should maintain licensing and other restrictions, we should not restrict exports but rather encourage them. Restrictions on imports should be retained but gradually relaxed as domestic industrial production develops, so as to invigorate import-export trade and to promote strengthening of national industry through competition.

3. We should establish foreign-exchange readjustment markets and permit export enterprises to buy and sell, at floating rates, exchange they need or have too much of, from and to each other. We should also permit local governments to subsidize export producers from their own revenues. These governments should then concentrate foreign exchange retained by enterprises so subsidized to purchase profit-making goods and advanced technology and equipment from abroad and select local foreign-trade corporations to manage these imports and exports, so as to assist the technological transformation of industrial enterprises and to enable domestic markets to prosper.

4. We should use economic measures to give enterprises incentive to expand exports, remit (value-added) taxes levied on commodities that are used at every link in export production, and exempt export producers from the regulatory tax. In addition to the "three-fen" and "twenty-fen" incentive programs, we should also create new-product development prizes, which we can fund out of profits earned on sales of such products, to reward relevant personnel. These prizes should not be included in enterprise bonus pools and should not be subject to bonus taxes.

5. We should replace output value and profits with net export foreign-exchange earnings as the main index for evaluating export-enterprise performance and link this index with enterprise earnings. For some export enterprises, export value should also be used an important evaluative index, so that the enterprises can receive appropriate economic reward and so that we can encourage export foreign-exchange earning.

6. We should establish an international trade information center under the jurisdiction of the Shanghai Second Light Industrial Bureau. This center would use a variety of methods to collect and analyze information on production, sales and trends therein of the Second Light Industrial System's goods on international and domestic markets. Besides closely cooperating with relevant domestic foreign-trade departments and production enterprises, the center would also come up with ways to establish links with relevant information research agencies in other parts of the world; lay the groundwork for

initiation of international market surveys, research and forecasting; and effectively assist enterprises in Shanghai's Second Light Industrial System in their effort to expand exports.

7. We must conduct training classes for foreign-trade specialists; rotate training of factory chiefs, general managers and professional staff of export enterprises in the Second Light Industrial System; and commission foreign-trade colleges to train sufficient numbers of specialists, so that we can meet the needs of growing foreign trade.

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### **Zhejiang Preferential Measures To Expand External Economy**

400603124 Beijing JINGJI RIBAO in Chinese  
23 May 88 p 2

[Article by Tan Rongyao 6223 2837 1031: "Zhejiang Preferential Measures To Expand External Economy"]

[Text] The Zhejiang provincial government recently announced certain preferential measures to encourage increased joint ventures with the various departments and to reform old industries.

In the case of foreign exchange earning enterprises jointly run by government departments and other provinces, 20 percent of earnings from exports will go to the state, 80 percent will go to the enterprise, and in the case of electrical machinery the entire amount of earnings will go to the enterprise. In the case of jointly run foreign exchange earning enterprises which receive urgently needed raw and processed materials from outside the province on a long term contractual basis, 5 percent to 20 percent of the retained foreign exchange earnings will go to the other parties and the rest will be divided among the shareholders.

In the case of foreign exchange earning enterprises solely owned by government departments or fellow provinces operating in Zhejiang, the foreign exchange earnings will be added to Zhejiang's total; 20 percent will go to the state and 80 percent will go to the enterprises, and in the case of electrical machinery the entire amount will go to the enterprise.

In the case of products from other provinces which are exported by Zhejiang, all of their export earnings will be returned and the minimum service charge deducted; enterprises which supply Zhejiang with products to export can negotiate to receive a portion of the foreign exchange earnings.

In the case of joint investment foreign exchange earning enterprises (where export products are responsible for 30 percent or more of the enterprise's earnings), if the investment in an enterprise from outside the province in technologically advanced enterprises, energy resources,

transportation, and raw and processed materials is at least 30 percent of the total and the period of joint management is at least six years long, that enterprise is exempt from taxes for two years after it first earns a profit and will pay half taxes for the third to fifth years. If the joint management continues for ten years or more, the enterprise is exempt from taxes for the first three years after it makes a profit and will pay half taxes for years four through seven. Those export enterprises which are mainly extra-provincial can, with permission, extend the period of tax reduction.

Central government departments and other provinces that set up joint ventures and cooperative management enterprises with foreign businessmen for the purpose of production will enjoy the same favorable treatment as local enterprises do. Those enterprises which locally install and make use of technologically advanced foreign equipment or seed varieties, pesticides and agricultural products, tools and equipment are exempt from customs taxes and imported products taxes (value added tax) according to the terms of national regulations.

In the case of excessive production by department joint ventures, if the products are part of the national directive plan, the excess portion is divided among the investors according to commercial agreement. These products not part of the national directive plan are all divided among the investors.

In the case of joint venture enterprises which implement the system of contract management responsibility, if they have unified the contract base figure and if the appropriate office approves, they can adjust the amount of the profit increase proportion or surplus increase proportion that is turned over to the government. In the case of joint venture enterprises which do not implement the system of contract management responsibility, they can divide their profits according to the amount invested based on the surplus over the preceding year (or an average of the preceding three years) and pay tax on the remaining amount.

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## **LABOR**

### **New Approach for Shifting Rural Labor Force Into Industry**

40060369 Beijing JINGJI RIBAO in Chinese  
31 May 88 p 3

[Article by Han Hulong 7281 5706 7893: "'Errors' in the Shift of Rural Labor Force and Their Effects"]

[Text] Since 1979 there has been a very vigorous momentum toward the development of non-agricultural industries in China's rural villages. Statistics show that these industries currently employ 80 million people, or 20 percent of the agricultural work force. This unprecedented shift of the rural labor force into industry holds a

decisive position in the overall development of the national economy. It is for this reason that any errors in this shift generate serious effects on the normal operation of the national economy. People formerly looked only at the positive side of this shift while ignoring various errors in its process of development and the adverse effects they might produce.

Our selection of a strategy that has given priority to the development of heavy industry for a very long time since the founding of the People's Republic has artificially severed the flow of production elements between cities and rural villages, giving rise to an unbalanced dual economic structure. The agricultural population and the agricultural work force represent an extremely great percentage of society's total work force. This is not in keeping with either the pattern of economic development or the trend of historical development. Looked at in terms of recent modern history, a country's industrialization and modernization is frequently accompanied by a drop in the size of the agricultural work force, and the extent to which agricultural output value and the agricultural work force declines as a percentage of total national output value and the total work force is a criterion for judging the degree of that country's economic development. Consequently, the great shift of the rural population in the process of industrializing and modernizing China is an inevitable trend that must be regarded as positive. Nevertheless, the great shift in the agricultural work force has been somewhat restricted by objective historical conditions. The experiences of some developed countries show that the supporting role of agricultural production and urban industry's huge demands on the labor force are fundamental prerequisites for bringing about a shift in the agricultural work force. In addition, the shift of the rural work force in China is also limited by its own special and complex conditions as follows. First is the fairly weak agricultural foundation. Even though institution of contract responsibility systems linked to output brought about substantial development of agricultural production, it did not eradicate completely the hidden dangers that could cause a crisis in agriculture. Second, the cities have many different kinds of industries while, at the same time, they still have surplus labor, which makes it difficult for them to absorb large numbers of the agricultural population. Third, China has a shortage of funds and resources. The ability of the national economy to provide the means of production and the means of livelihood for large shifts in the work force is limited. These circumstances dictate that in the shift of the country's work force the principle to be maintained is steadiness and moderation, orderliness, and lightness, which means that there must be a steady and moderate shift as agricultural production increases. An orderly sequence of digesting work forces locally, developing small cities and towns that will gradually develop into large cities must be maintained. Priority in the industrial structure must be given to non-agricultural light industries engaged primarily in the processing of agricultural byproducts that are able to absorb large amounts of labor. If these limiting factors

are ignored, and development is carried out mindlessly, serious consequences may ensue. Analysis of the situation during the past several years shows that "errors" really do exist, and the "consequences" have also begun to occur.

1. "Errors" in Selection of the Non-agricultural Structure Have Abetted a Trend Toward Price Rises. Since the Third Plenum of the 11th Party Central Committee, the trend has been toward gradual rise in prices in China, and the extent of rise has been fairly great since last year [1987]. A look at the low price policy that the country has pursued with regard to agricultural products and primary industrial manufactures shows that a rise in prices has been a normal accompaniment to economic development. However, some price rises are not normal price rises attributable to price reform, but have been created by certain abnormal factors, including "errors" in selecting the structure of non-agricultural industries. In 1985, for example, prices rose fairly abruptly, and this was closely related to the high tide in development of town and township enterprises of 1984-1985. Statistics show that at the end of 1984, 52.08 million people, or 14 percent of the total rural work force, were employed in town and township enterprises, four times again as many as during the previous 5 years. Town and township industries accounted for the largest percentage of the large number of town and township enterprises, and most of them were machinery manufacturing industries that consumed large amounts of energy and raw and processed materials used in industry. According to 1985 statistics, the output value of machinery manufacturing industries amounted to 25.53 percent of the output value of the rural industrial sector. This was far greater than the output value of sectors that used agricultural byproducts as raw materials, including the forestry industry (2.95 percent), the food industry (7.87 percent) and the leather manufacturing industry (1.59 percent). Selection of this industrial structure intensified an already existing shortage in supplies of energy and raw materials. Even though the percentage of heavy industry in China is small, heavy processing and assembly industries hold a dominant position within heavy industry, while basic industries are a long way from being able to keep pace with needs in development of the national economy. Throughout the Sixth 5-Year Plan, the country's processing industries maintained a very high momentum; however, the coefficient by which basic industries surpassed them, when they should have been out in front, was a negative value. The inflation of demand from these non-agricultural industries has caused a shortage of supply of basic industrial products, which has influenced the trend toward a rise in prices.

2. Serious Outflow of the Essential Elements in Agricultural Production Leading to a Contraction of Agriculture. The course of world modernization of agriculture shows the use of one or the other of two different initial forms, namely, labor intensity or capital intensity, which is alternatively termed technical intensity. The initial form that a nation adopts is usually determined by



the availability of land and labor. In countries having a small population relative to available land, the modernization of agriculture begins with improvement of the tools of production. The invention and creation of new kinds of agricultural tools surmounts the shortage of labor to promote the development of agricultural production. In countries where the population is large relative to available land, "large labor input agriculture" is practiced, thereby making fullest use of land and increasing yields to promote the development of agriculture. In an overall sense, China is a land with a large population relative to available land in which the modernization of agriculture should begin with the use of intensive labor. Abundant inputs of labor is the key to increasing agricultural production. On the basis of this analysis, even though many reasons exist for the slow development of China's agriculture in recent years, one of the main reasons is the insufficient input of labor. The key in analyzing whether the input of labor has been sufficient lies not in just finding out how much of the work force is on the land, but rather how high its enthusiasm is. Realistically, even though only 20 percent of the agricultural work force was employed in the country's town and township enterprises in 1985, and a large work force remained on the land. Nevertheless, this work force may be characterized in three ways. First, quality is not high; the young able-bodied work force has rushed into non-agricultural industries. Second, enthusiasm for the growing of grain has declined; and third, the number of people holding two jobs is huge, and these people regard their other work as primary, agriculture being secondary. The result is both a waste of existing basic facilities for agricultural production while no new productivity has taken shape. Peasants holding two jobs pay most attention to "sowing" and "harvesting"; there is little intensive and meticulous care of the fields. Most capital flows into non-agricultural industries, and material investment in agriculture has declined greatly. In

1985, for example, 7,310.53 tons of chemical fertilizer was used in agriculture nationwide, 184.43 tons less than during the previous year, and pesticide use figured in comparable price terms fell by 143 million yuan for a 7.4 percent decline. This led to a drop in grain output for 1985 resulting, in turn, to continued rise in the price of food.

3. "Errors" in the Selection of the Non-Agricultural Industry Structure Compounded by the Ultra Fast Shift of the Work Force Adversely Affected Normal Operation of the National Economy. "Errors" in the selection of the non-agricultural industrial structure led to rises in the price of energy and of raw and processed materials. This led to a general rise in prices of both industrial manufactures and the means of production used in agriculture. This resulted in a further widening of the existing inequitable gap in the price ratio between industrial manufactures and farm products, which had been slightly bridged since reform by raising the price of farm products. The "pull" of differences in benefits in cities versus the countryside caused the extremely rapid flight from the land of both the labor force and capital, resulting in a drop in grain production. However, the ultra rapid outflow of labor and capital also caused an abrupt inflation of non-agricultural industries, both energy and raw and processed materials becoming increasingly short. This vicious cycle blocked the normal operation of the national economy.

To summarize the foregoing, this article's intention in pointing out the "errors" existing in the transfer of work forces is to bring about earliest possible correction of the errors rather than to oppose or slow down this historic shift of the work force.

**Analysis of Criminal Activities in Urban Areas**  
40050345 Shanghai SHEHUI [SOCIETY] in Chinese  
No 5, 20 May 88 pp 12-16

[Article by Zhou Weixin [0719 0251 2450]: "An Analysis of Criminal Activities in China's Urban Areas"]

[Text] 1. General Social Background in China's Cities

Under the impact of the onrushing reform and opening up, a series of significant changes has taken place in the social setting in China's cities, which gave rise to many new phenomena in the overall social climate. Only an understanding of these phenomena, of the general setting, and of the great changes, will enable us to arrive at a thorough analysis of the present criminal activities in China's urban areas.

**A. Large increase in the transient population.** A major problem which Chinese cities, particularly by the "open" cities, are presently facing is the huge increase in their transient populations. Representative surveys of the situations in Shanghai, Beijing, and Hangzhou show: on an average day in 1986, the transient population of Shanghai was 1.834 million, which accounted for 25.1 percent of a total population of 7.102 million; in Beijing it was 1 million, or 17.6 percent of a total population of 5.967 million; in Hangzhou it was 250,000, or 20.1 percent of a total population of 1.2 million. In 1977, before reform and opening up, the transient populations in Shanghai, Beijing, and Hangzhou were 600,000, 500,000, and 86,200, respectively.

**B. Gradual opening up of the spatial structure.** With the increased modernization of traffic in the cities, and the rapid development of the means of communication in recent years, the traditional administrative delineations are being challenged, and people move faster and over larger regions in much greater freedom.

**C. Greater variety of cultural interests.** While there is stagnation, even retrogression, in traditional motion picture and theatrical developments, they are being replaced by the extremely popular new forms of entertainment, such as television, video tapes, dance halls, teahouses, pinball machines, and electronic games.

**D. Distinct rise in material consumption.** In an environment of an upsurging economy and thriving markets, a flow of high-grade consumer goods enters the daily lives of the people. They are, at the same time, attracted in large numbers to dance halls, teahouses, salons, activity centers, amusement parks, and fashionable clothes, all involving large amounts of consumption.

**E. Weakening of personal relationships.** In the wake of the growth of cities and their cultural and social development, and due to the gradual transformation of the life style of the citizens—being housed in high-rise apartment buildings, becoming television-oriented and more

secluded—contacts between people of different areas of the society have greatly diminished, and personal relationships have tended to weaken.

**F. Significant changes in the economic structure.** For the purpose of eliminating ossified structures and patterns, the "plant director and manager responsibility system," and various types of "contract systems" and "leasing systems" now prevail in every corner of the country.

**G. Inability of administrative work to keep up with social and economic developments.** In the wake of intensified reform and opening up, a great flow of a myriad of different trends, involving man, property, and materials, has emerged, but the administrative departments of the government could not keep up with the tempo of developments and have left large loopholes in many sectors, such as in city administration, construction, and commodity circulation.

**H. Widespread dissemination of social ideas of every shade.** Modern Western social value concepts, Freud's psychoanalysis, Sartre's existentialism, Maslow's psychology, egocentrism, self-evaluation, and transcendentalism, i.e. social ideas of every shade have been widely disseminated, particularly among the young people.

2. The Crime Situation in China's Cities

As a consequence of the above-mentioned general social background, the following trends of criminality have now appeared in China's cities:

**A. Mobility.** Criminals of this type are what the administrative and judicial departments, and also the news media, call fugitives on the run. According to statistics of the security agencies, criminality of fugitives on the run is presently extremely prominent; they generally account for 40 percent in the "open" cities of the coastal region, and for as high as over 10 percent in cities in general. According to a representative investigation in a certain city, fugitives on the run committed 326, or 30.26 percent, of all the 1,000 robbery and theft cases in 1985. In 1986, the rate of crimes committed by fugitives on the run went up to 45 percent. Applying the principle of the trend projection by extrapolation, the proportion of crimes by fugitives on the run will still keep going up for a certain number of years. According to an analysis by specialists, the steep increase in crimes by fugitives on the run is mainly due to three reasons: 1) steep increases in the transient populations of the cities. In these huge masses of transients, most are legitimately moving people, but many lawless elements are hiding among them. 2) increasingly favorable subjective and objective conditions for fugitives on the run. Subjectively, crimes committed by fugitives on the run easily come off well (succeed), but criminal cases of this type are difficult to break. Objectively, the steadily improving means of communications and the growing extent to which cities have become open areas, has greatly facilitated the mobility of fugitives on the run.

**B. Younger age groups.** In a certain province, in 1983, among the 14,931 cases of juvenile delinquents, 20.5 percent of the offenders were below the age of 18. In 1984, among the 10,152 cases of juvenile delinquents, 27.3 percent were teenagers. In 1985, in 11,204 cases of juvenile delinquents, 29.9 percent of the offenders were teenagers. In 1986, in 10,096 cases of juvenile delinquents, 32.6 percent were teenagers. According to the moving average mean method of projecting, in the 21,433 cases of juvenile delinquents in 1990, 35.6 percent will be teenagers.

According to a representative investigation of a certain city, the number of teenage offenders under 18 years of age has continuously and steeply increased, namely, based on 1984 figures, at a 56.8 percent rate of increase. Their ratio to the total number of criminal cases and to the number of criminal cases committed by juveniles in general, had also increased compared to 1984 figures, namely by 16.8 and 33.3 percent, respectively, making these figures the highest since 1979.

According to an analysis of specialists in the field, the reason for the diminishing ages of juvenile offenders is threefold: 1) earlier physiological and psychological maturity of juveniles due to improved and rising level of the material means of livelihood. 2) According to vital statistical projections, the base figure of juveniles, especially teenagers, for the next 5 years will greatly increase. 3) negative objective elements, which appear in the process of modernization, may also play, to some extent, a role in this matter. Observing the changes in juvenile criminality in some developed countries, we see that whenever a change occurs in the political or economic situation of a society, there is a fluctuation in juvenile criminality. For instance, in Japan in the chaotic time just after the war and at the time of recovery of the national economy, the upward turn of juvenile criminality was not at all conspicuous, but during the time of high-speed development of the national economy from the middle of the 1970's up to now, there occurred a "third upsurge" of juvenile criminality. As to China's present condition, the country is now passing through the important historical phase of transition from a stage of "minimal necessities of life" to one of "limited prosperity," and its economic upsurge is accompanied by the negative influences of capitalist decadent ideology and life style after having opening up to the outside world. All these factors are particularly evident in their influences on the juveniles.

**C. Greater sophistication.** The reason for the greater sophistication of the means used in committing crimes is the cultural and technological development, the spread of means of mass communications, and the higher educational development of juvenile criminals. In the early sixties, a group of criminologists from a certain country were surprised by the simple means employed in China in cases of murder (almost all committed by sticks, knives, or rope). But by 1985, according to the statistics of one criminal detective office of the public security

bureau of a certain city, 43 percent of all murders during the year were committed with certain technological means, such cases being 30.2 percent more than in 1979. For instance, in February 1985, a criminal, a certain Li, intended to rob individual enterprise operator, Chen, of a large sum of money. On the pretext of wanting to discuss a partnership operation, he lured Chen into the mountains to try out a telecommunications instrument and killed him with an explosive charge (he had himself made a remote controlled explosive device and inserted it into the instrument). Then, there was the case of a criminal by the name of Li, who wanted to get legally married to someone already married. He resorted to the method of injecting a soporific into the vein of the spouse, killing off that person and aspiring to marry as intended.

Specialists believe that with the daily increasing availability of the means of mass dissemination, all kinds of sophisticated methods of committing crimes, in many diverse patterns, are reaching juvenile criminals through a variety of channels and exercising an influence on them, so that we arrive at a new era of highly sophisticated juvenile criminality.

**D. Greater violence.** As signified by the 5 May plane hijacking (Zhuo Changren [0587 7022 0088] hijacking a plane to Taiwan) and the "two Wangs" incident, cases of violence have in recent years shown a definite upward trend in China.

On 30 December 1983, in the courtyard of the municipal party committee of a certain city, the 9th guard company was robbed of 5 "Type 54" rifles, 2 assault rifles, 2,417 rounds of ammunition, and the guards at the entrance of the office were killed. Investigation revealed that the criminals were four youths of the city. On their flight, the four again killed several people's policemen and civilians. After 20 days, the four criminals were annihilated in Changshan County of Zhejiang Province.

On 23 January 1984, a certain Liu and three other youths banded together to steel 16 pistols and over 1,000 bullets, as well as 5,000 yuan in cash, scheming to imitate Zhuo Changren and hijack a plane for flight abroad.

In 1985, there were the major cases of three bombings of police stations on different occasions in a certain city, when people's policemen and citizens were killed by gun fire.

In 1986, a case of vicious violence occurred in a certain city, when people were killed and a huge amount of money robbed from a bank at gun point in broad daylight.

The data provided by the administrative and judicial departments reveal that crimes of violence are on the increase year by year and by nature grow increasingly serious. Specialists believe that crimes of violence will still go up in the future, for the following reasons: First,



a rebellious copycat reaction is being evoked in juvenile criminals. For instance, after the "incident of the two Wangs," there was the case of the "two Zhangs" in Heilongjiang (case already solved), and these may possibly be followed by cases of "two Li's" and "two Chen's." After the 5 May plane hijacking, several tens of similar cases occurred throughout the country (all unsuccessful). Second, there exists a narrow-mindedness that engenders this type of thinking. Third, in the next 5 years, the country will be confronted with the return to society of a large portion of criminals sentenced during the time of the severe crackdown, among whom there are quite a number of desperadoes. Fourth, the flood of returning personnel from the indoctrination through labor and education through labor camps, and of personnel sent to Xinjiang and Qinghai for disciplinary reasons, whose former census status has been cancelled. According to the statistics of relevant agencies, the rate of recidivism of the former type is 10 to 15 percent, and of the latter type 40 to 60 percent. A considerable number of major and important cases are crimes committed by these types of people.

**E. More gang activities.** According to data provided by administrative and judicial agencies, the commission of crimes by organized gangs has been decidedly on the increase in recent years. Seventy percent of major and special cases were committed by organized gangs. Crimes of violence were almost 100 percent committed by organized gangs. For instance, the four major cases of nationwide impact that occurred in 1986 were all committed by gangs.

In the night of 17 April 1986, in a certain city, five scoundrels broke into the house of a worker by the name of Lu on Ziyou Street in Qingshan Ward of that city and hacked the husband and wife to death. In the small hours of 18 April, the five criminals again forced their way into the construction area of a certain company, severely wounded the security section chief on duty, stole 1 pistol, 27 pistol bullets, and 2 pairs of handcuffs. A little after 6 o'clock, the five criminals made their way into the city proper and committed three more murders. When they were finally tightly surrounded by security personnel on their flight, the five criminals committed suicide. It was found that the average age of the five criminals was 21, but all had records of indoctrination through labor and education through labor. After they had been released, they had flocked together because of similar evil intent, and formed a gang and in violence vented their dissatisfaction with society.

On 17 May 1986, a man by the name of Shang, manager of a certain Hong Kong firm dealing in ginseng and pilose antlers, was kidnapped when he attended the Guangzhou Trade Fair. After the case was broken, it was found that the crime was committed by four youngsters by the name of Li for the purpose of holding Shang for ransom and having his pharmaceutical company pay the ransom. This was the first kidnapping case since liberation.

On 16 June 1986, a certain city broke the case of a major counterrevolutionary clique which had assumed the name of "black hand party." In order to "scrape up operating funds, seize weapons, and develop their organization," this clique decided upon and executed "kangaroo actions" (thefts), "eagle actions" (bank robberies), and "sea lion actions" (murders to steal weapons).

On 18 November 1986, a serious case of theft of weapons, violence, and murder occurred in a certain city. On 21 November, the criminals were captured in Yushan County of Jiangxi Province (one of them was killed). When put to trial, it was found the four criminals had jointly stolen pistols from a certain military unit, also two assault rifles, and over 1,100 rounds of ammunition, with the purpose of committing violence and making retaliatory strikes, then rob banks, and take flight abroad.

According to projections of administrative and judicial agencies and of specialists concerned, the future trend of gang criminality will be as follows: First, they will conspicuously increase quantitatively, because analysis of statistical data from throughout the country shows that there has been a continuous increase in gang criminality since 1980. Applying the principle of moving average mean projection, the upward tendency will still be maintained for a number of years to come. Second, a tightening of gang organizations will take place. The groups that committed crimes one or two years before or after the severe crackdown had mostly been loose groupings of neighbors, colleagues, or friends, and had displayed much rashness in the commission of their crimes, which had been of comparatively little harmful effect for society as a whole. By now, group criminality has very much matured and become more experienced in recent years, and also shows tighter organization. Many of their major and important crimes have been perpetrated after careful preparation. Third, they will become increasingly harmful to society. There is a possibility that they may become somewhat like the "gangsters" in some of the capitalist countries.

**F. Serialization.** This refers to crimes committed in series; that is what administrative and judicial agencies call these criminal acts of a new type. The so-called crimes in series are crimes committed repeatedly by the same methods at different localities. They are extremely harmful to society. Most typical crimes in series are serial robberies, serial fraud, serial prostitution, and serial crimes of inflicting bodily injury. As a rule the most conspicuous peculiarity of these cases is that the injured party normally has not the slightest connection with the criminal.

According to investigation and analysis of cases of serial robberies and serial fraud cases, the culprits are youths between the ages of 18 and 25. Objects of these crimes are mainly of one of the following four categories: Serial "white break-ins" (crimes committed during daytime) are mainly directed against residences of citizens; serial

nighttime robberies are mainly directed against internal units; purse-snatchers are mainly active in public places, hotels, and guest houses; serial fraud is mainly practiced against industrial plants and enterprises or particular individuals.

In recent years, serial prostitution is becoming increasingly prevalent, as a general tendency it is more evident in the south than in the north, and more serious in the coastal regions than in the interior, and more prevalent in the large cities than in the small cities. The "partners" these females are hunting for are mainly individual entrepreneurs, purchasing agents, and visitors from Hong Kong. Their main places of activities are railway stations, wharfs, parks, teahouses, dance halls, guest houses, restaurants, and eating houses.

Serial infliction of bodily injury is what people know well. The criminals are mostly psychologically abnormal. The public security organ of a certain city once arrested an abnormal youth who during the short time of a little over one month had committed 23 criminal acts; he would at night ambush young female passers-by and with a shaving knife particularly stab the female victim's buttocks.

### 3. Vertical Comparison of Criminality in China's Cities

For a better understanding of criminality in China's cities, it is necessary to effect a vertical comparison of criminality in the cities. Through comparison we shall be able to gain a more comprehensive, more objective, and more profound understanding of urban criminality.

The changes in China's urban criminality are essentially identical with the changes that have developed in all the criminal cases throughout the entire country; since liberation, this development has more or less passed through the following three stages:

First stage, from the founding of the PRC to the beginning of the "cultural revolution." In the early years of the PRC, somewhat over 500,000 criminal cases occurred every year throughout the country, of which about 60 percent occurred in the urban areas. By their nature, most were political sabotage, and there were also everywhere cases of hooliganism, robbery, armed banditry, and prostitution; it was a time of social chaos. The main reasons were that we took over a scarred and battered old China, with the dregs and remnant evil elements of an old society to be found everywhere. Following intensified socialist transformation and construction, social order soon became stabilized, and criminal cases declined considerably. In the short period of 3 years, crimes in China declined by 40 percent, compared to conditions before liberation, to a yearly total of 300,000, of which more or less 180,000 occurred in the urban areas. By that time, the crime rate in the cities was the lowest since the founding of the PRC. Taking Shanghai as example, in this city of almost 10 million, only 3,500 criminal cases occurred in 1965, which was a 90 percent

decline compared with the situation at the start of the PRC. It was a time, truly as in the old saying: "There was no need to bolt one's door, and no one would pick up and keep what someone else had inadvertently dropped on the road."

Second stage, from 1966 to 1976. There was a huge upsurge of criminality, with increases of 10 percent every year. In 1976, the year the "gang of four" was smashed, criminal cases throughout the country had reached 600,000, with around 370,000 in the urban areas. During this stage, it was characteristic for urban criminal cases that they were predominantly committed by young workers. According to an analysis of 22 large and small cities, among them Beijing, Tianjin, and Shanghai, the ratio of crimes committed by young workers was: 18.1 percent in 1972; 22.4 percent in 1973; 24.3 percent in 1974; 31.2 percent in 1976.

Third stage, from 1976 to 1978. There was a general increase tendency in the number of all criminal cases, most conspicuous in large and medium cities. The trend was for more technical means to be employed in the commission of crimes, they became more serious in their nature, and the culprits were younger. A special characteristic of this stage was the great increase in juvenile delinquency, from approximately 20 percent in the 1950's to about 80 to 90 percent in the 1980's, when they constituted a major social problem. For this reason, the Central Committee, in 1978, 1980, and 1985, issued three documents on the problem of juvenile delinquency, calling on the entire society to strengthen education of our youths, in efforts to reduce juvenile delinquency. Another characteristic of this stage was the conspicuous occurrence of large and important cases. Some hideous crimes that had been stamped out (prostitution, kidnapping and selling of male and female children, dealing in drugs), all this long-buried murky sediment resurfaced, and there was a serious upsurge of economic crimes.

### 4. Lateral Comparison of Criminality in China's Cities

For a better understanding of criminality in China's cities, and its points of similarity and dissimilarity with criminality in cities of other countries, we have selected three representative countries for an unpretentious comparison. The three countries are the United States, the Soviet Union, and Japan.

**A. Nature of cases.** The most conspicuous among crimes in China's cities are cases of theft, which account for about 75-85 percent of all cases. In the cities of the United States, 80 percent of all crimes are serious crimes, such as rape, armed robbery, murder, and kidnapping. According to 1986 statistics of the U.S. Department of Justice, the average occurrences of major crimes in the cities of the entire country, expressed in cases per time, were: 1 rape every 7 minutes, 1 armed robbery every 68 seconds, 1 murder every 24 minutes, and 1

kidnapping every 10 days. Extremely conspicuous among the crimes in the cities are also drug dealing and prostitution, which have become a serious social problem.

In the Soviet Union criminality is conspicuously due to excessive drinking which leads to catastrophes and also to crimes of violence, which are prominent. Alcoholism and large consumption of liquor are outstanding social problems in the Soviet Union, and the commission of crimes under the influence of alcohol is a rather serious phenomenon in the cities. According to statistics, three-quarters of all crimes of violence and two-thirds of all traffic accidents are committed by persons under the influence of alcohol. The statistics of Leningrad show that 98.1 percent of all acts of hooliganism are committed under the influence of alcohol.

In present-day Japan, comparatively conspicuous among crimes in the cities are cases of indiscriminate use of hallucinogens, cases of violence in schools, cases of domestic fights, and crimes committed in recreational activities (by madly dashing around in motorcars or motorcycles). According to statistics, these four types of criminal cases account for about 60 to 70 percent of all criminal cases.

**B. Type of criminals.** As to the type of criminals, they are presently mostly youths in all the four countries, and the

ratio is also very similar. Viewed from a different angle, we may say that juvenile delinquency has become a worldwide social problem.

**C. Causes of criminality.** In Chinese urban areas, the main causes of criminality are "an inherent insufficiency to begin with and the lack of proper care in later years." With the first part we refer to the serious effect of the 10 years of internal turmoil, and with the latter part we refer to the time after the smashing of the "gang of four," when Chinese cities were under specific historical conditions and presented a specific social environment; the seriousness of criminality in the cities is the combined product of the two factors. The main causes of criminality in the cities in the United States are racial discrimination, widespread unemployment and poverty of blacks, and ineffectual measures to combat this criminality (which mainly refers to the short-lived efficacy of court judgements and the great lenience in sentencing). The main cause for criminality in the cities of the Soviet Union is alcoholism, which corrodes the entire Soviet society like a pestilence. The main cause for criminality in Japanese cities is the admiration for violence (the bushido spirit).



**Jinan Tank Division Equipped With New Tanks**

40050424a Beijing RENMIN RIBAO in Chinese  
5 Aug 88 p 4

[Excerpts] Jinan, XINHUA report: China's first new model tank unit—a certain Jinan Military Region tank division—has actively conducted training reform and greatly improved the military qualities of its personnel.

After the new model tanks "found a home" in this division, and faced with new equipment such as micro-computers, lasers, and night vision devices, division leaders started with raising cultural levels to cultivate "intelligent" tanks crews as opposed to the "physically strong" and "brave" soldiers of the past.

**Air Base Re-Equipped With New Target Drones**

40050424b Beijing JIEFANGJUN BAO in Chinese  
7 Jul 88 p 1

[Text] Lanzhou, 7 July: An air force testing base has been successful in converting a certain type of retired fighter aircraft into target drones. Relevant departments today confirmed that this radio-guided pilotless drone is a medium and high altitude subsonic plane which will do a runway takeoff and after climbing to altitude is capable of climbing, descending, level flight, and turns. It can realistically simulate the characteristics of enemy aircraft and can accurately test the lethality of missiles in testing.

With this successful conversion, the nation has saved a great deal on research and has found a use for retired aircraft.

**Forming Air Defense Reserves Advocated**

40050424c Beijing JIEFANGJUN BAO in Chinese  
8 Jul 88 p 3

[Text] In future air defense operations, it will be extremely important to establish anti-aircraft artillery reserves or anti-aircraft artillery groups. They would be able to quickly replace air defense units which suffer heavy losses and would be able to react rapidly to air operations. They would not be part of the combat formation, but would only deal with unforeseen circumstances. (Extracted from RENMIN PAOBING [PEOPLE'S ARTILLERY])

**Beijing ECM Unit Has High Readiness Level**

40050424d Beijing JIEFANGJUN BAO in Chinese  
12 Jul 88 p 1

[Text of photo caption] A Beijing Military Region electronic countermeasures unit has had an equipment readiness rate of 100 percent for several years. The photograph shows soldiers and cadres doing maintenance work on 30 June.

**Nanjing Division Conducts Combined Arms Exercise**

40050424e Beijing JIEFANGJUN BAO in Chinese  
12 Jul 88 p 1

[Text of photo caption] From 30 June to 2 July, a certain Nanjing Military Region motorized infantry division successfully conducted a live exercise which coordinated infantry, tanks, and artillery, as well as coordinating air (air force) and artillery (artillery troops).

**Statistics for Demobilized Cadres**

40050424f Beijing JIEFANGJUN BAO in Chinese  
12 88 p 1

[Excerpts] The work of settling demobilized cadres during the structural reform and streamlining and reorganization of the armed forces has basically concluded. Over 3 years, 452,000 demobilized cadres have been resettled. Locales also accepted 332,000 family members and found work for 125,000 spouses. National finances contributed 600 million yuan and provinces contributed 400 million yuan to solve the problem of housing for 150,000 relocated households.

**New Military Truck To Be Produced**

40050411a Beijing JIEFANGJUN BAO in Chinese  
1 Jul 88 p 1

[Summary] The Jiefang [Liberation] CA-141E2, a second-generation military truck designed and produced domestically, has been certified by the General Staff's Equipment Department and the Vehicle and Ship Department of the General Logistics Department. A production design has been approved and factories are currently organizing production so that the truck can be deployed to units by the end of this year. This is a new improvement in the transport capability of PLA logistic support.

The Changchun 1st Vehicle Plant developed the truck after more than 1 year of design work. Last year it delivered a 5-ton high-sided truck to a certain group army for testing. It has a 135-horsepower engine and can travel at 90kph with a full load, gives a stable ride, gets good mileage, and can go more than 200,000 kilometers before a major overhaul.

**Antitank Missile 'Shelf Life' Extended**

40050411b Beijing JIEFANGJUN BAO in Chinese  
30 Jun 88 p 1

[Summary] Shenyang, 29 June: Experiments to extend the shelf life of a certain type of antitank missile were recently concluded successfully, with the result that the missiles can be stored 10 years longer than original specifications. The experiments were conducted by departments within the General Logistics Department.

### **New Infrared Seeker**

40050411c Beijing JIEFANGJUN BAO in Chinese  
30 Jun 88 p 2

[Excerpts] The HDY-1 infrared sensing assembly, used in missile proximity fuses, was certified at the ministerial level in Beijing on 15 June. It was developed by the 11th Research Institute of the former Ministry of Electrical Industries. Its refrigeration, electro-optical properties, and reliability with vibrational noise meet requirements for use in missiles, and its major qualities attain international standards of the 1980's for similar items.

### **Strategic Missile Guidance Simulator Developed**

40050411d Beijing JIEFANGJUN BAO in Chinese  
30 Jun 88 p 2

[Text] A missile [guidance] platform simulator which can completely replace the operations of core components of strategic missiles in training, has been developed by Qian Peixian [6929 1014 6343], assistant professor, et al, of the Second Artillery Engineering College. It can realistically simulate the movement of the actual platform as well as measuring flight data such as flight speed and attitude. Using the simulator in place of actual equipment in a single 4-hour long training session can save more than 30,000 yuan in equipment expenditures. It has resolved a difficult problem in the tactical training of strategic missile units.

### **Rocket Force Improves Cadre Training**

40050411e Beijing JIEFANGJUN BAO in Chinese  
14 Jun 88 p 2

[Text] A certain brigade of the Second Artillery Corps [China Strategic Rocket Force] has focused on the situation of cadre training being overambitious, and has readjusted training content to strengthen the capability of military cadres in analysis and decision making, operations, organization and command, quality control, and crisis management, thus pushing cadre training to new levels.

### **Radar Training Simulator Developed in Nanjing**

40050411f Beijing JIEFANGJUN BAO in Chinese  
14 Jun 88 p 2

[Summary] A portable radar operations training simulator which can conduct training without support from aviation troops was put to use in late May by some radar units of the air force and navy. It was jointly developed by the Nanjing MR Air Force Radar Office and a certain radar regiment, and can be used in regimental and battalion command post tactical exercises.

### **Ammunition Destruction System Developed**

40050411g Beijing JIEFANGJUN BAO in Chinese  
23 Jun 88 p 1

[Summary] Nanjing, 22 June: A system used to destroy ammunition was certified in late June. It was developed by an ordnance depot of the Nanjing MR Logistics

Department with the assistance of the Beijing Design Academy and the Wuhan, Jinan, and Chengdu central furnace plants. The device can run continuously for 16 hours, its combustion furnace can withstand an explosive force of 2.5 tons, and it improves work efficiency 8 times over that of the past.

### **Modernization of Underground Facilities**

40050411h Beijing JIEFANGJUN BAO in Chinese  
12 Jun 88 p 1

[Summary] After 10 years of difficult labor, the protection and management of the PLA's underground engineering projects has broken from the models of past experience and become basically modernized. Underground power stations have shifted from manual operational to automatic operation, and underground works have gone from protecting against moisture using passive dehumidification to hermetic moisture protection. These modernization measures will prolong the useful life of underground facilities and improve war preparedness efficiency.

### **Training Device Simulates Nuclear Effects**

40050411i Beijing JIEFANGJUN BAO in Chinese  
6 Jun 88 p 1

[Editorial Report] The Nanjing Military Region Chemical Defense Department, along with local scientific organizations, has developed an "Instantaneous Lethality Display System for Nuclear Blasts." Photos show a microwave transmitter which simulates appropriate lethality effects for weapons with different yields, and unprotected soldiers with helmets emitting colored smoke after a given amount of time within the "lethal" areas.

### **Henan Reserve Airborne Training Base Established**

40050411j Beijing JIEFANGJUN HUABAO (PLA PICTORIAL) in Chinese No 7, 1 Jul 88 p 32

[Excerpt] Airborne troops have rapid and mobile combat capability and are important performers in modern three-dimensional warfare. China's standing army has already established a valiant unit of this type: can the reserve forces train also an invincible army which drops from "heaven" when called? They can!

Since 1986, the Henan Military District and a certain airborne unit have worked closely together to build China's first reserve airborne training base at a certain location in eastern Henan. Based on airborne troop training content and methods, they have conducted parachute training for reserve troops and have cultivated our first batch of reserve airborne troops.

## EAST REGION

### **Meng Fulin Speech at Hefei Symposium on Public Security, Fighting Crime**

40050310a Hefei ANHUI RIBAO in Chinese  
20 May 88 p 1

[Report on speech by Meng Fulin 1322 1381 2651, given on 18 May 88 at Anhui Party Committee Symposium on Public Security in Hefei by Li Changwen 2621 2490 2429]

[Excerpts] On the morning of 18 May, Meng Fulin, deputy secretary of the provincial party committee held a symposium on intensifying the crackdown on criminal activities and safeguarding public order, and made an important speech.

In his speech, Meng Fulin appreciated the careful attention of the government and the political and legal departments to public security and the remarkable success achieved. As to the way to further intensify the crackdown, he stressed the following five points:

1. Analyze the situation accurately and pay great attention to the control of public security. While looking at the good side of the picture, we must also pay attention to the factors of instability. We should pay close attention to new problems and cannot afford to be lax or careless. While stressing economic construction, we must also strengthen the legal system. Both economic construction and the legal system must receive our attention at all times. Hefei must not only improve its own public order, but also set a good example for the whole province. In combating crimes and safeguarding public order, we must not only attend to the immediate tasks, but also strive for long-range goals. We must not think that everything will be peaceful once the present problems are solved. For long-lasting peace and security, we must keep up our work constantly.

2. Further study countermeasures and deal relentless blows on criminal activities. First, we must pay attention to the major cases, conduct timely study and analysis of the patterns of the criminal activities, and adopt the countermeasures accordingly. We must pay attention not only to the society as a whole, but also to individual units, because the criminal cases inside the units cannot be overlooked. We must on the one hand step up our work in propaganda and education regarding the legal system, and, on the other hand, deal with the major cases strictly and swiftly according to law; otherwise, we will not be able to satisfy the people or to deflate the arrogance of the criminals.

3. Make full use of the resources in various quarters for an effective general control, and take the initiative in preventive work. Crimes must be combated, but their prevention is even more important. We must set up and improve the system of responsibility for public security, increase the patrolling, and strengthen the management

of public places. We must create an atmosphere in which all people would be interested in combating crimes, and would participate in this combat courageously. Severe punishment should be meted out to those who shield the criminals, willfully fail to report crimes, act like cowards at the scene of crimes, try to shift the responsibility to one another instead of acting responsibly, or condone the criminals' action. On the other hand, those who dare to struggle with criminals should be highly commended and rewarded.

4. The political and legal departments should be coordinated in their common struggle. They must perform their duty actively and positively, and cooperate with one another closely in accordance with law. They must handle the cases swiftly so that no damage will be caused by the delay.

5. Provide more active leadership to ensure good public security. We must strengthen our organizational leadership, continue to analyze the situation of public security, and study the new developments and new problems. Some political and legal departments are not sufficiently strong, and should be consolidated and strengthened. We must strengthen the sense of organization and discipline, educate the political and legal cadres in the need for integrity and strict observance of law, increase their efficiency, and urge them to serve the people wholeheartedly. We must select the good examples, and be good at summing up and spreading their advanced experiences.

9411

### **Chen Guangyi Addresses Fujian Party Committee, Stresses Party Discipline**

40050311a Fuzhou FUJIAN RIBAO in Chinese  
13 May 88 p 1

[Report on speech by Chen Guangyi 7115 0342 3015 at the Eighth Plenary Session of the Fourth Provincial Party Committee; date not given]

[Excerpt] In the Eighth Plenary Session (Enlarged) of the Fourth Provincial Party Committee, Chen Guangyi strongly pointed out in his report: "In the course of reform and opening to the world, we must be strict in ruling the party before we can ensure and promote the smooth implementation of the strategy of coastal economic development." He added: If we want to see the fighting power of party organizations, the role of party members as the vanguard and models, and the role of leading party cadres in setting good examples, we must make full use of any opportunity, make significant headway in 3 years, and quickly develop the social productive forces. We must also see whether they can be at the forefront with a brand-new posture for the implementation of the strategy of coastal economic development, be strict in ruling the party, perform their duty honestly, and enforce the disciplines strictly in the course



of reform and opening to the world. These are the important questions over which every party organization, every party member, and every leading cadres should carefully ponder. Chen Guangyi said: The key to the improvement of the party's work style lies in the correct understanding and handling its relationship with the reform, the policy of opening to the outside, and the strategy of coastal economic development. The reform and the policy of opening are important ways for improving the party's work style, which in turn is an important guarantee for the smooth progress of the reform and the policy of opening. We must treat the improvement of the party's work style as the core of the reform and the policy of opening and find a new way to consolidate the party by relying on reform and institutionization instead of political movements. In improving the party's work style, it is necessary for us to display distinctive banners in supporting the reformers, to encourage the explorers with great warmth, to render sincere assistance to those who have erred, to punish the violators of disciplines resolutely, and to investigate and deal with the slanderers strictly and seriously.

After describing the various signs of the party's unhealthy work style and the dangers involved, Chen Guangyi pointed out: It would be a mistake for us to exaggerate the seriousness of this problem and to solve it with the old methods; but it would be an even greater mistake for us to take it lightly or to go along with the current. To solve this problem and to "have economic prosperity and honest government organs" as called for by Comrade Zhao Ziyang, we must rely on, first, ideological education and institutionization; second, on distinctive disciplines and their strict enforcement; and third, on the exemplary role of the leading organs and leading cadres. The leading cadres at all levels must observe three simple rules: honesty in duty performance, courage in shouldering responsibility, and persistence in upholding principles.

9411

#### **Jiangxi Holds Forum on Political, Ideological Work**

40050310c Nanjing XINHUA RIBAO in Chinese  
19 May 88 p 1

[By Lu Aimin 0712 1947 3046]

[Excerpt] A province-wide forum on propaganda and ideological work was held in Nanjing yesterday. The meeting specially discussed the way to adapt propaganda and ideological work to the new conditions of the reform, the open-door policy, and the separation of party and government; to study the way to strengthen and improve party leadership in propaganda and ideological work.

More than 60 persons, including the deputy secretaries concurrently in charge of propaganda and ideological work and the directors of propaganda departments of various

municipal party committees; some county party committee secretaries, and large enterprise party committee secretaries; and the responsible persons of relevant provincial departments and units, attended the forum.

Deputy Secretary Sun Jiazheng [1327 1367 2973] of the provincial party committee spoke at the meeting. He analyzed the basic conditions of propaganda and ideological work in the province. While fully recognizing the achievements, he pointed out the discrepancies between the present propaganda and ideological work on the one hand and the requirements reform, opening to the world, economic development, and people's spiritual development. He said: On the whole, We have not yet found a good way to develop spiritual civilization as we have in developing material civilization. Many leaders still have an inadequate understanding of the policy of attending to both spiritual and material civilization simultaneously as laid down by the Central Committee long ago. Some localities and units have not yet placed spiritual civilization in the position it deserves; propaganda and ideological work are not conducted in a sufficient open and purposeful way; the role of theory in guiding practice is not being given full play; and the high-quality works with a strong appeal for spiritual cultivation are not many. All these problems should be solved gradually through the reform.

Sun Jiazheng continued: The new conditions have made higher demands on propaganda and ideological work, and particularly the demand to strengthen spiritual civilization and to discover a new way to develop spiritual and material civilization. To strengthen propaganda and ideological work under the new conditions, we should put reform at the center of all undertakings, and accelerate the development of propaganda and ideological work in the direction of science, democracy, and openness, and stressing practical results. Sun Jiazheng raised several questions for general discussion about the guidelines for propaganda and ideological work and about our work in practice: 1) How to use "one center and two basic points" as the guideline for propaganda and ideological work. 2) How to meet the basic requirements of propaganda and ideological work on the basis of our national conditions during the initial stage of socialism. The basic requirement is that we should take Marxism-Leninism as the guideline, communist ideology as the basic ideology, and the love of the motherland and the people, and the love of labor, science, and socialism as the basic moral standards, in uniting, inspiring, and mobilizing all people in the struggle to build socialism with Chinese characteristics. 3) How to focus our propaganda and ideological work on the ideological building of the party. 4) How to launch a propaganda campaign with the spirit of democracy and openness. 5) How to show our concern for the people's ideological, moral, scientific, and cultural qualities. 6) How to uphold the policy of letting a hundred flowers blossom and a hundred schools of thought contend in theoretical, and literary and art work.

9411

**Party-Government Separation, Division of Work Differentiated**

40050311b Nanjing XINHUA RIBAO in Chinese  
30 Apr 88 p 2

[Article by Xu Zhiyun 1776 1807 0061 and Wang Yongmao 3769 3057 5399: "Clarify the Misconceptions, Ascertain the Real Meaning of Separation of Party and Government"]

[Text] There are many different interpretations of the real meaning of separation of party and government. We feel that some misconceptions should be clarified so that its real meaning could be ascertained. Only thus can we forge ahead with the political structural reform. Some comrades held that "separation of party and government means a division of work between party and government, although the wording is different." Although "separation of party and government" is different from "division of work between party and government" because of the use of one different Chinese character in the wording, the difference in meaning is striking. The purpose of separating party and government is to strengthen the party's leadership by improving the system, methods, and style of leadership in the new situation, to basically solve the problem of substituting party for government, and to clearly define the different functions of party organizations and government organizations. It will also streamline the party-government relationship by separating the functions of the party and the government. The purpose of "division of work between party and government, on the other hand, is to solve the problem of demarcation between spheres of leadership of party organizations and administrative authorities. These two terms are different in meaning. Division of work between party and government is attributed to and enforced under the centralized leadership of the party, and implies the system of division of work and sharing of responsibility under the collective leadership of the party committee.

"Despite the separation of party and government, aren't party leaders are still holding administrative posts in the government?" This is obviously a misconception. It is incorrect to interpret the question of "separation of party and government" according to the simple criterion that party leaders may or may not concurrently serve as administrative heads in government. The report to the 13th CPC Congress mentioned that no full-time secretary or standing committee member of the party would be designated to take charge of government work; but this does not mean that nobody can serve in the dual capacity as both party and government leader. However, the administrative heads of government must be appointed according to law. They must exercise their government authority according to law. Their appointment is not the result of "division of work and sharing of responsibility" within the party committee. More important still, they cannot perform government administrative duty in the capacity of party leaders.

Some comrades think that "separation of party and government" means a "distribution of party and government power" or a "redistribution of power." It cannot be denied that separation of party and government has the implication that the party organizations return some power to the government. The reason is that for a long time, the party is not separated from the government, and the party substitutes the government. The party organizations directly exercised their state power at the frontline of administrative work, and adversely affected the functions of the government organizations. The purpose of separation of party and government is precisely to define their function and responsibilities clearly and to streamline their relationship. In strengthening party and government building, the question of "distribution of power" does not arise.

Why do some people interpret it as a "distribution of power" whenever "separation of party and government" is mentioned? There are two historical factors for this interpretation. First, since the founding of New China, the "readjustment and restructuring" we have witnessed on several occasions invariably dealt with the question of centralization or decentralization of power, and people are apt to think of everything in terms of power. Second, for a long time, we have stressed the need for the party's "centralized leadership," so that in people's minds, the party symbolizes power instead of functioning as a political organization. Thus party is government and vice versa, and people are already accustomed to this leadership system. Now that party and government are separated, they cannot be adapted to the change at once. That is why some feel the "loss of power" and others feel the "gaining of power." They fail to see that through this separation, both the party's leadership and the state's political power will be strengthened.

9411

**Specialized Technical Personnel Polled**

40050339b Fuzhou FUJIAN RIBAO in Chinese  
31 May 88 p 1

[Article by Jiang Zuoliang 3068 0155 2733, Xie Zhiyi 6200 1807 4135, and Huang Wu 7806 2976: "Report of a Sampling Investigation of 10,000 Specialized Technical Personnel by the Provincial Personnel Bureau and the Bureau for Science and Technology Cadres"]

[Text] Recently, the Provincial Personnel Bureau and the Bureau for Science and Technology Cadres carried out a sampling investigation of 10,000 specialized technical personnel in 5,419 organs, enterprises, and industrial units. It revealed that there is a growing attitude in society of respecting knowledge and respecting talents, and that certain improvements have taken place in the working and living conditions of specialized technical

personnel, who are now playing an increasingly important role on all fronts. However, considering the situation as a whole, the huge potential of specialized technical staff is not yet being fully made use of, and it has become a matter of urgency to accelerate reform and stimulate the rational circulation of talents.

In the present investigation, 11,037 questionnaires were sent out and 9,709 valid responses were received. Among the replies about full utilization of specialized technical personnel, 63.5 percent expressed the opinion that they were working to full capacity, 32.4 percent that they were not quite working to full capacity, and 1.4 percent that they were of no functional use at all. On the question, "if you would be ensured an environment that would allow you to display your capabilities to the fullest extent, how much more potential could you activate," those who replied that they could activate another 50 percent or more capability were 5,400 persons, i.e. 55.5 percent of the total replies, while 36 percent replied that they could activate a further 25 percent, and 6.4 percent replied that they would have no additional potential at all to offer.

As to elements obstructing the development of talents, 45.9 percent replied: existence or serious existence in their units of an emphasis on records of formal schooling and disregard for actual capabilities; 58.8 percent replied: emphasis on service records and seniority; 56.9 percent reported that their units did not truly value knowledge and capability; 53.4 percent replied that their units offered no opportunity for fair competition; all that counted was only the word of the leadership; 44 percent were of the opinion that there was, to a certain extent, opportunity for competition in their units; 58.8 percent reported that the leadership in their units employed the methods that were used in the control of administrative cadres, in the management of specialized technical personnel; 31.9 percent thought that the leadership in their units was capable of administering specialized technical personnel with due consideration for the special characteristics of the work of specialized technical personnel.

On adverse effects on starting out on specialized technical work, the problems mentioned in the first three positions were: "Difficulties in dealings with others" (17.8 percent), "Poor working conditions" (17.3 percent), "Heavy work load" (17.2 percent). Secondary were the problems of: "Outdated knowledge" (16.2 percent); "Unsupportive leadership" (11.2 percent); and 16.2 percent on other problems.

It was a general feeling among specialized technical personnel that the current organizational system of managing talents shows many shortcomings and is in need of courageous reforms.

### **New Shanghai Mayor Chairs 1st City Standing Committee Meeting**

40050310b Shanghai WEN HUI BAO in Chinese  
11 May 88 p 1

[Excerpts] Mayor Zhu Rongji [2612 6954 1015] presided over the first standing committee meeting of the new municipal government held 10 May.

The meeting discussed and adopted three government proposals. The "Views on Strengthening Educational Work" requested that the "two increases" be ensured in educational funds, and that when the local revenues take a turn for the better, priority should be given to education in granting fund increases. Based on the proposals of some NPC deputies and CPPCC members, the municipal people's government has decided to further increase the current year's education budget from the original 5.7 percent increase to an 8 percent increase, an increase of 15 million yuan over the original budget and 53 million yuan over the 1987 budget. The additional funds will be used mainly to expand elementary school dormitories, to solve the problem of elementary school student enrollments at the peak period, to strengthen the education of teachers training, and to readjust the specialized courses in institutions of higher learning.

The "Views on Setting Up Major Nonstaple Food Production Bases in the Suburbs" proposed that the current control system of nonstaple food production and marketing be reformed. Proceeding from the realities in Shanghai, we should set up a new system that is capable of raising its self-sufficiency, promoting scale management, streamlining the relationship between production and marketing, and strengthening centralized leadership. The reform should be carried out step by step.

The "Decision on Setting Up an Organ for Handling Foreign Investments in Shanghai" called for an improvement of investment environments, increased efficiency, and the establishment of a foreign investment work committee under the slogan of "one organ, one window, and one seal."

Zhu Rongji spoke at the meeting. He said: The new municipal government is born during a historical turning point when the conditions at home and abroad are favorable for Shanghai's vigorous economic development. If this government can give a better performance, Shanghai's vigorous development will be accelerated. The members of our leading body must not think of spending the next 5 years in comfort as peaceful officials. These 5 years should be the years of hard and united struggle, and the years for us to share every weal and woe.

Zhu Rongji pointed out: First, we must seize the opportunity by the forelock. Shanghai needs speed, efficiency, and resolute action. Policies cannot be without defects. Therefore, I hope our comrades will fully discuss these policies. Once the decision is reached, however, it must



be resolutely enforced, and nobody can be over-critical on some minor issues to dampen people's enthusiasm. Second, we must be practical. The present government organs are overlapping and unwieldy with constant wranglings among them. Under these conditions, if we do not strengthen our supervision, inspection, coordination, and arbitration, and do not solve the real problems, we will not be able to accomplish anything, and the macro-economic management we stress cannot materialize. I hope every vice mayor and bureau chief will become experts in solving problems. In the selection and promotion of cadres, we must judge by their actual performance, and must not promote anyone who has no past achievements, and who can only talk but cannot give any real performance. We must appoint people on the basis of their ability, but not personal relationships, even though we may offend somebody in so doing. Third, the people now have high expectations of the government and are watching it eagerly. If we cannot obtain the support of the 12 million people, we will not be able to accomplish anything. Whether we can obtain their support depends on whether we have an honest government that truly serves the people. That is why we have made this first decision in our first standing committee meeting today. As long as our comrades set a good example, they will be able to bring about an atmosphere of integrity for the entire government. If we find anyone abusing his power for personal benefits, we must never hesitate to take disciplinary action.

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**Seven Shanghai Vice Mayors Assigned Duties**  
40050311c Shanghai WEN HUI BAO in Chinese  
11 May 88 p 1

[Text] Mayor Zhu Rongji [2612 6954 1015] announced the division of work among seven vice mayors in a meeting of the standing committee of the new municipal government yesterday.

The division of work is as follows: Huang Ju [7806 5468], to assist the municipal government in its daily work and concurrently in charge of planning, finance, and foreign economic relations and trade;

Gu Chuanxun [7357 0278 6064], concurrently in charge of production, and to assist in foreign economic relations and trade;

Liu Zhenyuan [0491 21820337], concurrently in charge of science and technology, foreign affairs, culture, and sports;

Ni Tianzeng [0242 1131 1073], concurrently in charge of urban construction, planning, communications, and posts and telecommunications;

Xie Lijuan [6200 7787 1227], concurrently in charge of education, public health, civil affairs, and religion;

Zhuang Xiaotian [8369 2556 1131], concurrently in charge of district affairs, commerce, and domestic trade; and

Ni Hongfu [0242 7703 4395], concurrently in charge of county affairs, agricultural and sideline production, public security and judicial affairs.

9411

**Problems Remain in Job Assignments for College Graduates**

40050311d Shanghai JIEFANG RIBAO in Chinese  
27 May 88 p 6

[Article by Wu Shengxiang [0702 0524 4382]: "Restudy the Problem of Job Assignment for University Graduates"]

[Excerpts] How is the situation of supply and demand for Shanghai's university graduates? I think the problems of supply being short of demand and "difficulty of job assignment" exist side by side. To be specific, the number of university graduates as a whole is still short of the demand, but for those who specialize in certain fields, there is indeed the difficulty of job assignment. According to the statistics of a repeated survey conducted by Shanghai Intellectual Development Research Institute on the demand for university graduates, a total of about 30,000 university graduates are needed in Shanghai or the current year, and only 1,500 of them are available. The supply-demand ratio is 1:2. In 1988-1990, Shanghai will need nearly 60,000 university graduates, and the available number is estimated to be only 45,000. The supply-demand ratio will be 1:1.3. Therefore, the supply of university graduates on the whole is still short of demand. Professionals are mostly in short supply. For some rare professions, the supply-demand contradiction is very serious, and the supply-demand ratio exceeds 1:20. Yet there are some other professionals whose supply is excessive to demand. This surplus has created serious contradictions in some schools and professions. Last year, Shanghai had a surplus of 200 graduates, and this situation may be even more serious this year. Therefore, our views would be only one-sided if we stress the shortage of supply for demand and neglect the "difficulty of job assignment," or, on the other hand, stress the "difficulty of job assignment" for only a few graduates and overlook the shortage for demand as a whole.

There are many causes for this situation, and one of the main causes is divorce between supply and demand. In working out their enrollment plans, the schools usually consider their own size, funding (because fund allocation is based on the number of enrollments), and the teachers' workload with little regard for social demands. That is why the schools still continue to enroll, and even to have more students for some specialized courses even though the graduates from these courses have long been in excessive supply.

Another important cause is the irrational distribution and duplication of schools. For example, Shanghai had already three full-time textile colleges, when the municipal textile bureau added seven adult colleges with basically the same specialized courses. Again, Shanghai had already three full-time teachers-training colleges, and the districts still added some education colleges, which recruit students mostly for such specialized courses as mathematics, physics, and chemistry. Because of such an irrational distribution, it would be strange indeed if the students will not "join the scramble for rice bowls"!

The flow of graduates is also irrational. The demand for graduates has somewhat diminished in the past several years. However, according to the data of the 1988-1990 repeated survey, the demand in the suburban counties, the rural enterprises, the district and neighborhood collective enterprises, and the small enterprises has increased by a wide margin. Since many graduates are only concerned with their own benefits, and unwilling to work in these places, there is "difficulty of job assignment" on the one hand, and some units' difficulty in obtaining university students on the other.

Supply and demand have not yet come face to face with regard to the assignment of graduates. Hence the difficulty of their job assignment. Some efforts in bringing supply and demand face to face in the past several years has helped strengthen the relationship between the schools and the units in need of graduates. However, this relationship is still not adequate or complete. It is true that "demand" has made itself known to "supply," but not the other way round. In other words, the units in need of graduates have informed the schools of their requirements and the way the graduates will be put to work, but the schools have not informed the units of the actual conditions of their graduates. Even if they do, the report is only sketchy and without detailed accounts of the graduates' quality and aptitude. Thus the failure of the assigned graduates to meet the actual requirements often dampens the units' enthusiasm in accepting university graduates. That is why some units have chosen to train their own personnel instead of accepting assigned university students.

There are also certain objective factors, such as the system of responsibility for wages, and the streamlining of departments, which will not be minutely analyzed here. The causes mentioned here are certainly not new problems of the past 1 or 2 years, because we have talked about them for many years. Why are they still left unsolved? In my opinion, the system of responsibility for university graduates' job assignment is the main cause. Because of this system, the question of employment for the graduates will have no leverage on the schools who, out of financial considerations, will not willingly reduce their enrollment of students for some specialized courses even though these students are already excessive to social demand. In working out the enrollment plan for the current year, the leading departments have repeatedly stressed the need to reduce the specialized courses which

are turning out excessive students. However, there are still serious obstacles from the schools, because the system of responsibility for job assignment has eliminated the need for competition among the schools in setting up specialized courses. The rule of enrollment or reduction of enrollment applies to all, and there is no question of survival of the fittest. In the absence of any pressure to look for jobs, thanks to the system of responsibility for job assignment, and inadequate ideological work, some graduates are now very particular in choosing the units, and would refuse to go to any that are not exactly to their liking. As a result, there is the queer phenomenon that some units cannot get any university student, while some university cannot be accepted by any unit. Because of this system, again, schools lack the motive of serving the units in need of graduates. They usually wait for these units to call at their doors instead of taking the initiative of delivering the graduates to the units. In the past 2 years, the idea that "the emperor's daughter need not worry about getting a husband" became obsolete. Now, because of the system of "responsibility for finding husbands," there is again the spectacle that "girls" need not worry about becoming "old maids."

The State Education Commission has decided that as of 1993, the state will no longer be responsible for university graduates' job assignment. In my opinion, Shanghai should take the lead in this direction because of two conditions: First, the supply of and demand for graduates here is fairly balanced, and this is the basic condition. Second, in the past 1 or 2 years, Shanghai has conducted experiments of terminating its responsibility of job assignment for some local universities. Since last year, it has conducted the same experiments on a city-wide basis and gained some experiences.

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**Namelist of New Appointments in Zhejiang**  
40050339c Hangzhou ZHEJIANG RIBAO in Chinese  
19 May 88 p 1

["Namelist of Appointments by Decision of the Provincial People's Congress Standing Committee, Passed at the Third Session of the Standing Committee of the Seventh Provincial People's Congress on 18 May 1988"]

[Text] Appointed:

Wang Hongshou [3076 1738 4849] as secretary general of the Zhejiang Provincial People's Government;

Shao Rongjie [6730 2837 2638] as chairman, Educational Commission of Zhejiang Province;

Zhou Wen [0719 2429] as chairman, Science and Technology Commission of Zhejiang Province;

Zhao Jiafu [6392 0857 4395] as director, Foreign Affairs Bureau of the Zhejiang People's Government;

Yang Zhaodi [2799 2156 2769] as director, Overseas Chinese Affairs Office of the Zhejiang People's Government;

Xia Zhonglie [1115 0112 3525] as director, Public Security Bureau of Zhejiang Province;

Huang Rongbo [7806 2837 3134] as director, State Security Bureau of Zhejiang Province;

Zhang Lianggao [1728 5328 7559] as director, Department of Supervision of Zhejiang Province;

Yu Guoqiang [0060 0948 1730] as director, Judicial Department of Zhejiang Province;

Song Shaoxiang [1345 1421 4382] as director, Finance Department of Zhejiang Province;

Zheng Jingfu [6774 1777 8099] as director, Department of Labor and Personnel of Zhejiang Province;

Zhang Shengyao [1728 0581 5969] as director, Audit Bureau of Zhejiang Province;

Ye Changfa [0673 7022 3127] as director, Statistics Bureau of Zhejiang Province;

Dong Fuhai [5516 2591 3189] as director, Materials Supply Bureau of Zhejiang Province;

Wei Lian [7614 1670] as director, Urban and Rural Construction Department of Zhejiang Province;

Chen Haimei [7115 3189 3780] as director, Environmental Protection Bureau of Zhejiang Province;

Shao Yaoding [6730 1031 1353] as director, Communications Department of Zhejiang Province;

Cui Daren [1508 6671 0088] as director, Machine-Building Department of Zhejiang Province;

Chen Haiqing [7115 3189 7230] as director, Petrochemical Industry Department of Zhejiang Province;

Dai Daming [2071 1129 7686] as director, Light Industry Department of Zhejiang Province;

Zhao Xiaodao [6392 1420 6670] as director, Agriculture Department of Zhejiang Province;

Fan Fusheng [5400 4395 3932] as director, Forestry Department of Zhejiang Province;

Bi Dingbang [3968 1353 6721] as director, Aquatic Products Bureau of Zhejiang Province;

Zhang Yaode [4545 5069 1795] as director, Village and Township Enterprises Administration Bureau of Zhejiang Province;

Wu Wenmou [0702 2429 6180] as director, Land Administration Bureau of Zhejiang Province;

Zhou Zhangxie [0719 1728 3610] as director, Commerce Bureau of Zhejiang Province;

Zhang Xingqian [1728 5281 6929] as director, Grain Bureau of Zhejiang Province;

Wang Hongliang [3769 3163 5328] as director, Foreign Economic Relations and Trade Department of Zhejiang Province;

Cao Tiandian [2580 1131 3783] as director, Industry and Commerce Administration Bureau of Zhejiang Province;

Zhou Zugeng [0719 4371 6342] as director, Press and Publications Bureau of Zhejiang Province;

Du Jiaxing [2629 0502 2502] as director, Broadcasting and Television Department of Zhejiang Province;

Dai Di [2071 6611] as director, Public Health Department of Zhejiang Province;

Jin Linjiao [6855 7207 6890] as chairman, Physical Culture and Sports Commission of Zhejiang Province;

Cao Dali [2580 1129 4539] as director, Economic and Technological Coordination Office of Zhejiang Province;

Liu Yongxing [0491 3057 5281] as director, People's Air Defense Office of Zhejiang Province.

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12 Sept, 1988